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OUR OWN TIMES



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OUR OWN TIMES

“Let not England forget her precedence of teaching the nations how to live.”—MILTON.

“I shall be content if those shall pronounce my History useful who desire to give a view of events as they did really happen, and as they are very likely, in accordance with human nature, to repeat themselves at some future time—if not exactly the same, yet very similar.”—

THUCYDIDES.

OUR OWN TIMES

1913-1934

A POLITICAL AND ECONOMIC SURVEY

by

STEPHEN KING-HALL

VOLUME II

LONDON

IVOR NICHOLSON AND WATSON LIMITED

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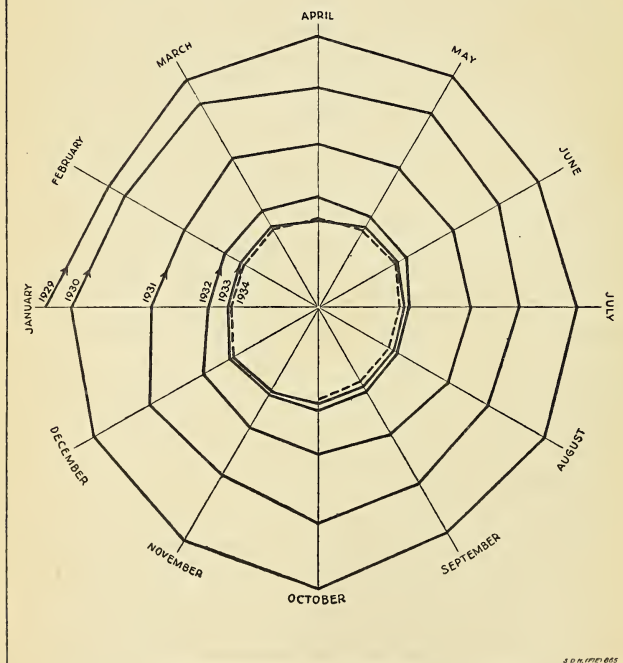
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SPIRAL OF WORLD TRADE¹

THE CONTRACTING SPIRAL OF WORLD TRADE

Month by month January 1929– Oct 1934

(In millions of U.S. (gold) \$)



¹ Reproduced by permission of the Economic Intelligence Service of the League of Nations.

OUR OWN TIMES

VOLUME II

INTRODUCTION

ON a certain occasion in 1913 a sub-lieutenant was officer of the watch—very young and inexperienced—on the bridge of a light cruiser steaming at about ten knots in enclosed waters. The captain suddenly remarked “Why have you not called the hands to their anchor stations? Supposing I said ‘*Anchor instantly.*’” The O.O.W. rushed from the bridge and, with the words “Anchor instantly” ringing in his ears, dashed for the forecastle, collecting the blacksmith *en route*. Looking up at the bridge, where a number of senior officers were by this time gesticulating and roaring in unison, the officer of the watch instantly let go the starboard bower anchor in twenty-five fathoms and by the grace of God failed to part the cable. When the excitement died down the following dialogue took place:

C.O.: What the devil do you mean by trying to anchor one of His Majesty’s ships without orders from the bridge.

K.-H.: I thought you said “Anchor instantly,” sir!

C.O.: Um! Your mind works too quickly, but if you never make mistakes you’ll never make anything.

This story is recalled as we face the hardest part of our task in this attempt to make a political and economic survey of Our Own Times which shall be respected by the expert and acceptable to the general reader. We shall now have to move about amongst the records of events so recent as to make it extraordinarily hard to appraise correctly their true significance. The price of making anything will be that of making mistakes.

It is the theme of this study that the fundamental problem of humanity is that of MAN AND HIMSELF, and that history

is a record of man's attempts to solve the riddle of his own individuality. Furthermore, we have suggested that a period which we have called "Our Own Times," and which we date in a general way as extending from 1913-34, has been one of transition, a period of confusion in the affairs of men marked by unusually rapid and widespread changes in the material framework of the Great Society.

This period of confusion, if we are right in our assumption that 1935 witnessed the beginnings of a new kind of world order, can be conveniently divided into two parts, the first of which lasted from 1913 to September 1931, and the second from 1931 to the end of 1934. In the first volume of this survey we endeavoured to show how the confusion started, and how a great attempt was made, largely under British influence, to restore order in terms of the nineteenth-century world. The volume ended with Great Britain's abandonment of the gold standard—for the second time in seventeen years—an event which was both the great Amen of the nineteenth century and the beginning of the second phase of the period of confusion. It is with this second phase, a time covered by the years 1931-34, that the present volume is concerned. During these last three or four years of *Our Own Times* the following developments took place:

Firstly, the nations turned "inwards" and concentrated most of their attention upon nationalistic policies. This phenomenon was a natural reaction from the failure during 1920-31 to rebuild the great society on its nineteenth-century foundations.

Secondly, since in all human affairs the actual working out of events never conforms to those exact and logical divisions which are necessary and convenient to the writing of books, the nations did not, and indeed could not, suddenly abandon all forms of international co-operation. We find, therefore, that in parallel with an account of the development of national plans and policies there must also be a story of international events.

Thirdly, we shall find when we analyse the international activity which occurred during the period 1931-34 that it

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was of two kinds. On the one hand there was a "carry-over," from the activities mentioned in Volume I, for although the British abandonment of the gold standard was a very significant and momentous event, especially since it was accompanied by a complete reversal of British fiscal policy, yet it is worth while to repeat that, notwithstanding the inevitable conventions of the history books, nothing ever happens in real life with the completeness of a perfect curtain-line.¹ There are no exact eras, periods, or epochs; there is only never-ending change. Hence, to illustrate by a practical example, we shall find that the British Government did not abandon all its international boats in 1931, even though it was about to become more insular and Imperially-minded than its predecessors had been. On the contrary, it continued to concern itself (as did other governments) with such matters as the solution of the problems of Reparation, War Debts, and Disarmament. It demanded through the mouth of the Prime Minister that a World Economic Conference be held without delay, and continued to deplore the decline in world trade whilst participating to the full in the universal movement towards economic nationalism which made the continuance of such a decline inevitable. Moreover, the British Government—being British—was not content with pursuing at one and the same moment, in accordance with the prevailing fashion, national and international policies which were mutually incompatible. It sought and found a compromise at Ottawa, a compromise which appeared to be both national in the sense that it was British and international in so far as it was an arrangement between virtually independent sovereign states. This typically British attempt to make the best of both worlds—and the British are quite remarkably successful in appearing to achieve this impossibility—leads us by a kind of half-way step to the second kind of international action which took place during the period 1931-34. This was the fruit of international relationship between states whose internal

¹ The chief difficulty of finding a good curtain-line in a play is that the line and situation must be such as will deceive the audience into believing the absurdity that they have witnessed the inevitable end, final and complete. The intelligent man knows that every end is a beginning.

economies had been revolutionized as a result of national policies. For example, the World Economic Conference, as we shall see, failed because it was either two years late or perhaps three to five years too early. It opened on the assumption that it was a gathering of national states with nineteenth-century policies, prepared to consider co-operation along nineteenth-century lines. Great Britain, the actual host of the Conference, had been making it clear for eighteen months that she was off on a new tack, and the United States startled the Conference by an even more unexpected *volte-face*. The whole business was unreal. Had it been arranged for 1937—a year in which, if we are right in our hope that confusion is ending in 1935,¹ a further conference may yet take place—then though its purpose would have been the same, *i.e.* that of increasing world trade, its methods would have been different, for the next conference of this nature will have the task of arranging for the economic integration of planned and semi-planned national systems.

We can therefore define part of our task in this volume as being that of describing what happened during the period 1931–34 within the most important national systems, and also of showing how these national developments affected the character and fortunes of international relations and of international policies.

The arrangement of material which has been chosen in order to carry out these tasks is indicated in the list of Contents on p. v, but some further explanation is desirable. It has been found impossible to obtain satisfactory results, either by classifying the material according to categories, or by arranging the facts in strict chronological order. A compromise has been necessary, and it is hoped that the preference of some readers for all things in their right order according to time will be in part satisfied by the existence of the Chronology which is to be found on p. 361.

The volume has been divided into four parts under the following subject-headings :

¹ In 1935 the situation in the U.S.A. governs the date of the next World Economic Conference.

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- I. National Policies.
- II. International Relations.
- III. Conclusions.
- IV. Chronology (1913-34), Appendices and Bibliography.

In Part I we shall deal in turn with the internal policies of the most important national states or groups of states, dealing with the events in each state more or less in chronological order. We shall then examine in Part II the international aspect of world affairs during the period under review. When reading both Parts I and II it will be essential to remember that the events described therein are closely connected and that, to quote a few examples, the story of Australia's effort of recovery was that of policies forced upon the Australians through the deterioration of the world's economic system; that the Japanese adventure in North Asia was both a cause and an effect of the failure to organize internationally an effective system of collective security; that Russia's *rapprochement* with the capitalist states was caused by fear of Japan and that the welcome given by France to this Russian move was caused by fear of Nazi Germany. If, however, we were to attempt to include in Part I every appropriate reference to Part II, and in Part II every reference to Part I, we should be faced with an intolerable amount of repetition, so this general warning as to the interdependence of the "national" and "international" sections must suffice.

In conclusion, it is necessary to make confession of omissions. Should a South American or Scandinavian reader chance to turn over the pages of these two volumes, he will at once observe that South American and Scandinavian affairs receive but a brief mention in either volume. The chief reason for these omissions is that a process of selection was imperative and, where so many topics jostled each other for precedence, injustice was inevitable. The more gross of the two injustices is that to South America. Our Own Times witnessed a great change in the political and economic

relations between the U.S.A. and Latin America. Up to the time of President Hoover's elevation to the White House, the economic penetration of South America by the United States—the notorious “dollar diplomacy”—had been rapid and highly alarming to the South American republics. The proceedings at the Sixth Pan-American Conference held at Havana in 1928 showed that the republics, both in Central and South America, were so fearful of this mighty neighbour of the Northern Continent, whose ships and troops—at any rate in the Caribbean—were in the habit of arriving to restore order whenever American investments were jeopardized by political disturbances, that something like an anti-U.S.A. *bloc* began to take shape.

President Hoover and after him President Roosevelt set to work to reverse this Imperialistic role and to replace it by that of the “good neighbour,” a decision possibly influenced to some extent by the tremendous losses incurred by the American public in the many scandalous South American loans floated in New York. The Seventh Pan-American Conference held in December 1933 at Montevideo provided public evidence of the happier relations between the United States and the Latin American republics.

Again it is necessary to confess that there has been no space in which to record the course of internal politics in South America, the stories of the revolutions which occurred in nine South American states during the year 1930, every one of which was traceable to economic distress caused by the precipitous fall in the price level of the raw materials whose export was the main source of the commerce of South America. Neither has any attempt been made to describe the long-drawn-out war between Bolivia and Paraguay over the Chaco district, which was an international scandal at the end of Our Own Times, since it was admitted that the conflict was entirely dependent upon imported arms, and yet, though the states-members of the League had agreed on an International Embargo on the export of arms, this savage war was enabled to continue. Yet, when all is said and done, our repentance for this

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omission is qualified, for it cannot be argued that the South American republics have had great influence in world affairs during *Our Own Times*.¹ As we suggested in Volume I, there may be a different story to tell in the *Times* to Come.

Similarly the Scandinavian states—if within that generalization we may include Holland as well as Norway, Sweden and Denmark—did not play a prominent part in world events during the post-War years. It is a pity that their material strength was not greater, for their record at Geneva was consistently on the side of the decencies in international life, and whenever some backstairs' intrigue had to be exposed in League circles it was usually a Scandinavian delegate who turned the searchlight of truth on to the matter. The sturdy democratic influence of these peoples was a valuable asset to the cause of liberty during the closing years of *Our Own Times*, and the more so as they were not involved in the *Infernal Triangle*. It is also a matter of regret that we have had no space in which to write something of the very interesting economic and financial policies of a radical nature carried out in Sweden during the crisis years.

Whilst writing this book it has been its author's endeavour to discipline his views, prejudices and outlook in so far as that was possible without making the study a dull catalogue of fact. But at the end of the work a confession of faith and some proposals for action seemed appropriate. These will be found in the third part of this volume.

¹ There is an exception to every rule, and the refusal of Brazil in 1926 to vote for the admission of Germany to the League, an action which postponed this event for six months, was undoubtedly an event of great international importance and almost an international disaster.

ERRATA—VOLUME I

- List of Contents.—L. 11 *for* “ Central and Eastern Europe, 1925–26 to 1934 ” *read* “ Central and Eastern Europe, 1919 to 1925–26.”
Similar alteration, right-hand headlines, pp. 211–19.
- P. 46, foot. Last German cruisers were captured in “ 1915 ” not in “ 1914.”
- P. 89, l. 11, *for* “ November 25th ” *read* “ November 5th.”
- P. 108, note 3, and p. 204, l. 34, *for* “ Ambassadors’ Council ” *read* “ Conference of Ambassadors.”
- P. 145, l. 15 should read: “ Lenin’s real name was Vladimir Ilyich Ulyanov.”
- P. 145, note 2, *for* “ N. Fachman ” *read* “ M. Farbmann.”
- P. 152, note 2, *for* “ June 1917 ” *read* “ July 1918.”
- P. 198. Finland was admitted to the League of Nations December 16th, 1920.
- P. 198. Lithuania was admitted to the League of Nations September 22nd, 1921.
- P. 198. Latvia was admitted to the League of Nations September 22nd, 1921.
- P. 198. Esthonia was admitted to the League of Nations September 22nd, 1921.
- P. 199, l. 7, *for* “ President ” *read* “ Prime Minister.”
- P. 229. The section headed *Immigration Restriction* should be numbered 3, not 2; this will affect the numbering of the following sections in this chapter.
- P. 261, l. 4 from foot. Insert “ association of ” after “ to declare that the.”
- P. 288, l. 2 from foot. *For* “ Germany ” *read* “ Japan.”
- P. 407, note 1 should read: “ It must be remembered that barely eight years had elapsed since the horrors of the 1923 inflation of the mark.”
- P. 417, l. 8, *for* “ of the news that ” *read* “ of this news from.”
- P. 423, under column “ 1926,” l. 8, *for* “ + 14 ” *read* “ —14.”

N.B.—Some of these corrections have been made in the second edition of Volume I.

PART I
NATIONAL POLICIES

CHAPTER I

NEW BRITAIN

"I find the Englishman to be him of all men who stands firmest in his shoes."—EMERSON.

1. *Britain in Crisis*

TOWARDS the close of the year 1931 the gaze of the whole world was directed towards Great Britain with a fascinated and dreadful attention. The foreigner felt that he was watching a Great Power sinking into decline. It seemed to many experienced observers outside Great Britain that the stresses and strains which the post-War decade had inflicted upon a nation weakened by its efforts between 1914 and 1918 were sapping the vitality of the islanders who for nearly five hundred years had exercised an ever-increasing influence in the affairs of the world. It had been an influence which, as we wrote in the Prelude to this study of *Our Own Times*, had increased and extended, until during the nineteenth century Great Britain had reflected in her world-wide policies the whole spirit of western civilization. It seemed in 1931 that the star of Great Britain had passed its zenith and that there remained but to chronicle the waning of the fortunes of that Power upon whose Empire the sun never set. That such was to be the fate of Great Britain was the opinion of nearly every foreigner with whom the writer discussed this question in and about the period 1931-32. The foreigners declared their pessimism in no spirit of exultation. On the contrary, they regarded the inevitable decline of Great Britain as something little short of a world disaster. They seemed to feel that an essential spoke in the wheel of the great chariot of Human Society which rolls down the avenues of time

was buckling before their eyes, and they could not see what would take its place. A Great Power was in dissolution and dying intestate. One day perhaps the United States, or a British Dominion, or Germany or even Russia, would take the place of Great Britain in the Great Society, but in 1931 that day seemed far distant.

Whilst observers in all parts of the world watched Great Britain in crisis with mingled feelings of astonishment and alarm, the inhabitants of Great Britain were not so much frightened as bewildered. The crisis had come suddenly ; it had been marked by disturbing phenomena such as a mutiny in one of the fleets of the Royal Navy, and an evident disbelief by the foreigner in the purchasing power of the £. Yet, the English felt in their bones that though the Board of Admiralty might on occasion be stupid, the loyalty and the patriotism of the Navy was unquestionable, whilst there was daily evidence that £1 purchased in England as much of the needs of life after September 21st, 1931, as it did before that memorable date.

Nevertheless, the temper of the country was roused and the degree of emotion was reflected in the astonishing and embarrassing size of the majority secured by the National Government. A cartoonist summed it up by depicting the Prime Minister in the guise of an expectant father awaiting news of the accouchement. As the fond and proud parent was greeted by a nurse carrying an elephant in her arms, he exclaimed : " I was ready for twins, but hardly for this ! "

Although the National Government boasted more than 550 supporters in the House of Commons, of whom 13 were National Socialists and about 68 were Liberals, and though the Socialist Opposition of 52 seats could only count on the aid of 7 Liberal and Independent supporters, the Socialist Party was able to claim that the tremendous loss they had suffered in seats—a drop from 287 in the 1929 election to 52 in 1931—had not been accompanied by a proportionate loss of votes. The Nationalist supporters represented 14½ million voters ; the Opposition stood for 7½ million, of whom 6½ were Socialists. In 1929 approxi-

mately 8½ million Socialist voters had sufficed to put a Labour government in power.

The National Government was in power. What next?

2. The Doctor's Mandate

As mentioned in the previous volume,¹ the new Government had been given a "doctor's mandate" to restore confidence in Great Britain.

There must always be difference of opinion as to the precise purposes for which a politician seeks office, and the more experienced the politician the more uncertain he will be in his own mind as to what will be "practical politics" when he exchanges the freedom of the platform for the limitations of Whitehall.² Events have shown that the "doctor's mandate" meant different things to different people, but we are more concerned in this narrative with what actually happened than with what certain prominent politicians thought should have happened.

What actually happened was simply that one thing led to another, and a government formed in the first instance chiefly for the purpose of dealing with the financial crisis inevitably found itself obliged to formulate policies dealing with commerce and industry as a whole. The National Doctors, hastily called in consultation in order to deal with an acute case of financial hæmorrhage, applied tourniquets, but could hardly leave the patient in that condition. Probably as much to their own surprise as to the irritation of some of their colleagues and all their enemies, the doctors set about making a New Man of the economy of Great Britain. Writing towards the end of 1934 it was possible to discern two, and perhaps three, headings under which it will be convenient to consider those activities of the National Government which were primarily intended to have beneficial effects upon the internal situation of Great Britain. These headings are:

1. The restoration of financial stability.

¹ *Our Own Times*, Vol. I, Chapter XX, p. 421.

² It was to be the art of Franklin Roosevelt from 1933-34 to make a high political virtue out of extreme inconsistency. See Chapter X, p. 219.

2. The stimulation of commercial and industrial recovery.

The possibility of a third heading was mentioned because, as we shall see, the various measures put into force as part of the drive to assist finance and commerce, might, if considered as a whole, be taken as evidence that between 1931 and 1934 the National Government was engaged in laying the foundations of a British Planned Economy.

To put it as bluntly as that would, however, be doing scant justice to the appetite for Socialism displayed by the British people on the prescription of a government supported by a majority chiefly composed of "Conservative" members. Let each consider the record of events, and those who care to call it Planning can do so and leave the individualists to call it common sense.

3. *The Restoration of Financial Stability*

(a) *Balancing the Budget*

It has already been pointed out¹ that the publication of the May Report (July 31st, 1931) with its estimate of a budgetary deficit of nearly £120 million for 1932, seriously aggravated the crisis in Great Britain, and, since the Labour Government of the day failed to agree on the methods by which the budget deficit should be redressed, the first National Government was formed on August 24th, 1931.

After the House of Commons had adopted, on September 15th, supplementary budget resolutions designed to produce by drastic measures a small surplus for 1931-32, it was decided to appeal to the country for an endorsement of the policy indicated. When the second National Government was constituted after the General Election, Mr. Philip Snowden was succeeded at the Exchequer by Mr. Neville Chamberlain, a Chancellor of rigid orthodoxy and somewhat bleak outlook who determined to balance his budget even if it meant retaining heavy taxation and keeping expenditure down to the minimum. In this determination Mr. Chamberlain was but continuing the crisis policy of his predecessor, Mr. Snowden.

¹ Vol. I, Chapter XX.

By 1934 this orthodox financial policy was beginning to reap its reward and Mr. Chamberlain was able to open a budget which revealed that, thanks to a surplus of over £30 million for the period 1933-34, the Chancellor could make a beginning with the relief of taxation. This state of affairs appeared to be a triumphant vindication of the policy of saving one's way out of a depression rather than, as advocated by the exponents of inflationary measures, of spending one's way to prosperity. It is our view that it is dangerous to dogmatize in this matter, and that each case must be judged on its merits and with due regard to the national psychology of the people concerned; the nature of the economic structure of their society; their form of government and state of political education; and, perhaps above all, the scope which exists in any particular case for productive public expenditure.

The adherence of successive British governments to strict canons of public finance during the post-War period is shown by the following summary of United Kingdom budget surpluses and deficits:

SUMMARY OF BUDGET ACCOUNT ¹

(ooo's omitted)

	<i>Revenue</i>	<i>Expenditure</i> ²	<i>Surplus</i>	<i>Deficit</i>
	£	£	£	£
1913-14 .	198,243	197,493	+ 750	..
1924-25 .	799,436	795,777	+ 3,659	..
1926-27 .	805,701	842,395	..	- 36,694
1927-28 .	842,824	838,585	+ 4,239	..
1928-29 .	836,435	818,041	+ 18,394	..
1929-30 .	814,970	829,494	..	- 14,524
1930-31 .	857,761	881,037	..	- 23,276
1931-32 .	851,482	851,118	+ 364	..
1932-33 .	827,031	830,354 ³	..	- 3,323 ³
1933-34 .	809,379	774,927 ⁴	+ 34,452	..

¹ See *Economist Budget Supplement*, April 14th, 1934.

² Includes allocations to Sinking Fund.

³ Excluding war debt payment to America, and the deficiency of £15.3 million in the allocation originally made for Sinking Fund.

⁴ Disregarding war debt payments of £3.3 million to America.

In considering the result obtained by 1934, the following factors must be given due weight. The abandonment of the gold standard and the consequent depreciation of the £ acted as a stimulant to exports; the special efforts which were made by the British taxpayer to meet his obligations even when, as was the case in 1931, both the level of direct taxation was raised and the speed at which it had to be paid was increased;¹ the increase in revenue which came about as a consequence of protective duties;² and the saving of expenditure in the National Debt charge.³ Another economy which assisted the British Government in its efforts to cut its coat according to its cloth was the decision gradually to default on payments of its war debt to the U.S.A. In 1933 a token payment was made. In 1934 no payment was made.

That the National Government's financial policy had triumphantly restored the shaky pillars of British credit was universally admitted by 1933. Both revenue and expenditure had shrunk considerably, but unlike most other countries Great Britain had succeeded in reducing expenditure faster than the revenue had declined. In 1934 it appeared as if the British, in so far as the state of government finance was concerned, were well situated to exploit any possibilities of expansion which might present themselves. But as we shall see, although expansion did take place in the domestic market, world trade, for reasons largely beyond the control of His Majesty's Government, continued to languish, or at the most to make feeble and unconvincing attempts to raise its diminished head. One of the most important of the financial achievements of the National Government was the Conversion Scheme, a *tour de force* which deserves further mention.

¹ Three-quarters of the tax due had to be paid in January. This was part of the Snowden plans in September 1931.

² During the year 1932-33 the Exchequer received £25·2 million from duties imposed by the National Government.

³ In 1930-31 the total National Debt charge amounted to £360 million; for 1933-34 the comparable figure was £258·4 million, a sum which included a token payment of £3·3 million to the U.S.A. on account of war debt. The principal reason for this decrease in the annual charge for the service of the National Debt was the great Conversion Scheme which is described below.

(b) *The Great Conversion*

Ever since 1929 a tremendous volume of over £2,000,000,000 of 5 per cent. War Loan had been redeemable at the Government's option, and successive Chancellors of the Exchequer had looked with hungry eyes at the possibility of converting this immense mass of debt to a lower rate of interest. Mr. Snowden laid plans for this feat, but the crisis obliged him to return them to their pigeon-hole in the Treasury. It was to be the good fortune of Mr. Chamberlain to take them out and sponsor the greatest Conversion Scheme in the history of the world.

In deciding upon this venture the Chancellor had to remember that though the rewards of success would be magnificent, so disastrous would be a failure—jeopardizing all the salvage work hitherto undertaken for British credit—that it was essential not to move until success was as certain as anything can be in an uncertain world.

A successful conversion would lower the annual charge for the service of the National Debt, and would also inaugurate in Great Britain a period of cheap credit which, in the opinion of the Treasury, was the essential prerequisite for business recovery. Moreover, success would have important international effects, partly because a good deal of foreign money was in the loan, but chiefly because of the fact that if Great Britain could successfully convert £2,000,000,000 debt at 5 per cent. to 4 per cent. or even $3\frac{3}{4}$ per cent., other countries whose budgets were burdened with heavy debt charges might be encouraged to go and do likewise.

Some argued that the task of converting to lower rates of interest the great debt structures which the World War left as gigantic and oppressive memorials, whose shadows darkened the lives of the taxpayer in many lands, was one which could not be done on a voluntary basis. Default, naked and unashamed, had taken place in Germany, Russia and elsewhere, and it was said that debts so extraordinary and unproductive were beyond the pale of the ordinary standards of sanctity of contract. Might not such debts be regarded as financial outlaws?

This was not the view of His Majesty's Government in London, although—as we shall see—His Majesty's Governments at Canberra in Australia and in New Zealand were prepared to compromise between sanctity of contract and economic necessity. The London Government held that their Conversion Scheme must be of a voluntary nature if it was to produce its maximum effect psychologically as well as financially.

The ground was carefully prepared by the Treasury and the Bank of England, working in conjunction with the leading financial institutions. On June 30th, 1932, the bank rate was reduced to 2 per cent.—the lowest figure for thirty-five years—and it was clear that zero hour had arrived. The same afternoon the Chancellor announced his plan to the expectant and eager House of Commons. In essentials it was an offer to holders to convert their bonds into a new loan yielding $3\frac{1}{2}$ per cent. and redeemable in 1952.¹ Next day there began a sustained and vigorous campaign, in the Press, by broadcasting and from platforms, designed to persuade the three million holders of 5 per cent. loan that on grounds of patriotism and self-interest it was their duty to convert their holdings. In addition the Treasury removed the temptation to demand repayment at par by intimating that it was the wish of His Majesty's Government that for the time being the market should be closed to new capital issues. Such a request, though of no legal validity, had in Great Britain an effect equivalent to that of a government decree abroad.² This tradition greatly perplexes foreigners.³ The conversion was an immense success, and by July 31st £1,850,000,000, or approximately

¹ At the end of 1934 this loan was quoted at a premium of £9 per cent., but the decision to drop from 5 per cent. to $3\frac{1}{2}$ per cent. in 1932 was an act of great courage and faith.

² Cf. the action in December, 1934, of the Chancellor of the Exchequer in refusing to allow capital to be raised to start a new line of cheap-fare Trans-Atlantic liners on the grounds that this would create competition unfavourable to the profit-making capacities of the White Star-Cunard liner *Queen Mary*, in whose financing the Treasury had become involved.

³ "The student of government who assumes that British Constitutional theory can be applied at will in any country misses the fact that it could not be successfully applied even in Great Britain if it were not modified in a hundred ways by unwritten laws and tacit conventions." (*Joint Committee on Indian Constitutional Reform*, Vol. I, 1934, p. 7.)

90 per cent. of the Loan, had been converted. The achievement created a tremendous sensation in all the important financial centres of the world, and was a most impressive example of that underlying unity of purpose of the people of the United Kingdom which is only mobilized and revealed to the world at times of national emergency such as occurred when Belgium was invaded in 1914; during the General Strike of 1926; and during the crisis of 1931 and the Conversion operation of 1932. There must be one final reflection before we leave this subject—however gratifying the success of the operation, such sentiment was tempered by the thought that a conversion on this scale was only possible because business was at a very low ebb, and the demand for money was stagnant. The existence of nearly 3,000,000 registered unemployed was one of the signs that the right moment for a successful Conversion Scheme had arrived.

The Conversion Scheme was not the only important financial achievement carried out by the British Government during 1932. Two other transactions must be noted. The credits which had been raised in France and the U.S.A. in August 1931 in order to try to save the £ were repaid and the Exchange Equalization Account was set up.

(c) *The Exchange Equalization Account*¹

The operations of the Account were kept secret, and for this reason it became one of the chief mysteries of international finance. Many foreigners believed that it existed and operated in order to "manage" sterling in the interests of the British exporter. The truth seems to be that so far as it "managed" the sterling exchange, it did so by endeavouring to counteract short-term speculative

¹ I am indebted in this section to the supplement of *The Economist*, May 5th, 1934, written by Mr. N. F. Hall. See also *The Exchange Equalization Account*, by N. F. Hall, 1935.

A lady who was good enough to read this passage in MSS. confessed that it was *double Dutch* to her. I then discovered that she was not at all acquainted with the principles of foreign exchange. She agreed to read Appendix I, "A Note on the Gold Standard," in Volume I, after which she found the general notion of the Exchange Equalization Account easier to understand.

operations in the foreign exchanges, whilst leaving untrammelled the operation of natural and long-term forces on the external value of the £. The British Government announced that the purpose of the operations of the Account was to smooth out minor fluctuations in the exchanges without attempting artificially to prevent major movements such as are caused by seasonal demands. Secondly, there is no reason to suppose that the British Treasury believed that over any period of time an artificially depressed £ was or could be of lasting benefit to British industry. What the exporter needed was a stable exchange rate or the nearest approach thereto which could be obtained.

The Exchange Equalization Account has been a "governor" on the machine of foreign exchanges, not a stop-valve or an accelerator.

An unnecessary amount of mystery was created as to the source from which the Account derived its funds. It was decided that it should start with £150 million and in the Budget of 1933 this was increased to £350 million.

This money was raised in the following manner. The Government issued Treasury Bills to the Fund up to £350 million and the Fund sold the Treasury Bills on the market as and when it needed money in order to buy foreign exchange or gold.

In fact all that happened was that a new government department entrusted with the duty of counteracting speculation in foreign exchange received authority to borrow on short-term loans a sum up to £350 million for the carrying out of its functions.

We have already mentioned in Volume I that one of the financial problems of the post-War world was the existence of so-called "bad" money which rushed about the world in search of a safe political and economic refuge, and in so doing rocked the boat of international stability.

The Macmillan Committee had pointed out that as compared with pre-War days:

"London is now practising international deposit banking as distinct from international acceptance business, and the

deposits associated with this are on a larger scale than in pre-War days.”¹

The important difference between the two forms of banking mentioned above is that the acceptance business is self-liquidating because in essence it is simply a process by which the banking system places funds at the disposal of a merchant for a period of, say, ninety days, pending the conclusion of a commercial transaction which will produce funds for repaying the debt. But in the case of the deposit business, for reasons which are too technical to be discussed in this book, it may not be possible for the London money market to make sure that its holdings of gold and immediately realizable foreign assets are sufficiently large in proportion to its deposit liabilities.

It was this state of affairs which made it impossible for the £ to stay on gold in 1931, because when the foreigners demanded the repayment of their short-term deposits there was not enough gold to pay them back, nor could London realize her assets abroad (e.g. in Germany and Central Europe) sufficiently quickly to obtain funds by that method. These remarks, supplementary to what has been written on the subject in Volume I, have been made as a preliminary to stating that in 1932, foreign balances were once more winging their way to London.

It is a striking example of the rapidity with which sentiment will change in *Our Own Times*, that within *nine months* of the autumn of 1931, when the British £ was forcibly detached from gold, when foreign balances were flying from London, when all seemed lost save British honour, and some foreigners had trouble in discerning where even that could be found, within *nine months*, even within six months of September 1931, the Exchange Equalization Account was obliged to sell sterling and purchase gold and foreign exchange to be held as assets against the foreign deposits which were once more seeking the shelter of London. Incidentally the Account resold some of the gold it thus acquired to the Bank of England, thus increasing the basis of credit in Great Britain and so helping

¹ Cmd. 3897, para. 349.

to create the easy money conditions indispensable to the success of the Conversion operation. Put another way, the existence of the Exchange Equalization Account enabled the incoming foreign funds to be linked to the Treasury's general policy of stimulating recovery by creating and maintaining a supply of cheap credit for business purposes. The future of this new instrument of financial policy is uncertain, for the answer to that question depends upon when and how the foreign exchanges are stabilized.¹

4. Stimulation of Trade and Industry

The financial measures outlined in the preceding pages were means to an end, that end being the restoration of the industry and commerce of Great Britain, and just as in the period 1921-31² the efforts of the Treasury towards restoring and maintaining the gold standard were supplemented by the Board of Trade's struggles for freer trade, so during the period 1931-34, whilst the Treasury was working in the manner already described to balance the Budget, restore confidence in the £ and inaugurate an era of cheap credit, the Board of Trade was simultaneously at work on behalf of commerce and industry. But here the parallel must cease, for whereas during the 1921-31 period the policy of Great Britain was still that of free trade on a gold-standard basis, during the years 1931-34 she was forced not only off the gold standard, but into the ranks of the Protectionists. In addition a new feature arose in British domestic policy, and that was a determination "to do something" for home agriculture. In short, the National Government began, in a tentative, experimental and empirical manner, to Plan Industry and Commerce.

(a) The Fiscal Revolution

Soon after the formation of the National Government a Cabinet Committee sat down to examine the state of

¹ For some possibilities see Vol. II, Chapter XV.

² See Vol. I, Chapters XV and XVI.

the United Kingdom Balance of Payments on Foreign Account, or "Balance of Trade" as it is sometimes inaccurately called.

They reached the conclusion that whereas in 1929 there had been a credit balance of about £100 million, there was a debit balance of about the same amount for the year 1931. ✓

A glance at the table printed on p. 423 of Volume I will show that whereas the value of the excess of imports of goods had risen from £381 million in 1929 to £408 million in 1931, the value of net invisible exports over the same period had shrunk from £484 million to £304 million.

In other words, between 1929 and 1931 Great Britain had widened the gap which always exists between the value of the solid (visible) goods she buys and the value of the solid (visible) goods she sells, by £27 million. This would not have mattered at all had it not been for the spectacular decline which occurred over the same period in the value of the services (banking, insurance and shipping) she sells and the income she receives from her overseas investments. These two items—together with smaller items of a similar nature—are the important, and to many people, apparently incomprehensible entry in the balance-sheet called "invisible exports." Their value¹ hovered between £449 million and £484 million annually during the years 1926-29, and it cannot be too often repeated that unless the value of these invisible exports is at least equal to the difference between the value of the solid (visible) goods Great Britain imports, and the value of those she exports, the country will have an adverse balance of payments on foreign account. We have seen above that it was apparent that Great Britain had such an adverse balance in 1931, and that it was in the region of £100 million.

It is clear that the chief cause of this deficit was not the fact that Great Britain had imprudently increased her excess of imports of merchandise by £27 million, but rather that for reasons largely beyond her control she had received

¹ See table, Vol. I, p. 423.

about £180 million less in 1931 for her services and from her investments than she had received in 1929.

This is an extremely important point, because the argument that in the changed conditions after 1931 it was necessary for Great Britain to abandon her traditional policy of Free Trade and turn to tariffs was—at the time—largely based upon the theory that it was necessary to do so in order to check imports of visible goods and so “restore the balance of trade.” It was a bad argument and doubly bad in that it had in it a part of the truth.

Consider a man who finds that he has overspent his income in a given year by £100. He examines his accounts and observes that he has spent £100 on clothes as compared with £75 during the previous year whilst other expenditures have remained the same. It may be right for him to determine to cut down his clothes’ bill, but he would indeed be a fool if he did not pay attention to the fact that the major source of his trouble is that his income had fallen by £75. Moreover, since it should be his principal purpose to endeavour to recover this loss of income, he will be wise to ask himself whether a deterioration in his clothes may not affect his income-earning capacity.

The root problem in front of Great Britain in 1931, and in 1934 for that matter, was that of increasing her income from the “invisibles” of shipping, banking and investment; but since, as must be freely conceded, this problem had in it many factors not under the control of Great Britain, we reach the part of the truth mentioned above—*i.e.* that the imposition of a tariff was bound, by cutting down imports, to have some effect on the adverse balance of payments, provided it did not:

- (a) Raise costs in Great Britain so that her exports suffered;
- (b) So further decrease the total volume of world trade that British “invisibles” suffered.

This proviso, in itself a large and imponderable proposition, was still further complicated by the fact that during the period 1931–34, higher tariffs, “quotas” and currency

restrictions all tended to obscure and delay the workings of the normal economic laws. Moreover, the tendency to plan, the growing intervention of the state into economic life, demands the tariff and, in cases where that is felt to be too weak a tool, the quota, as an instrument of control.¹

Such is the background against which the majority of the Cabinet Committee mentioned above came to a momentous decision. They recommended that as a step towards rectifying the adverse balance of payments there should be a 10 per cent. general tariff on practically all manufactured and semi-manufactured goods. This proposal clearly appeared to the Liberal Free-Traders in the Cabinet as the beginning of the end of Britain's nineteenth-century Free Trade policy; and they protested vigorously. But before we see what happened to them we must go back a few months in time.

The National Government was preponderantly conservative in political complexion, and the stupidest importer smelt the coming tariffs. Hardly were the election results declared ere a flood of imports descended on the British coast. Consequently, as early as November 1931, the Government had introduced the Abnormal Importations Act as a "temporary means of preventing excessive imports while the Government considered what steps of a more permanent nature should be taken."

The word "permanent" sounded the alarm in the Free-Trade camp, but the Free Traders were doomed. It was in vain that they pointed out that since the £ was no longer tied to gold, the adverse balance of payments must inevitably be redressed by the automatic action of the exchanges, because if Great Britain continued to import more than she could afford to pay for, the value of the £ would decrease and foreign goods would become so expensive in terms of £'s that British imports would decline. Furthermore, the Free Traders countered the proposition that tariffs would help and protect home

¹ *E.g.* The Ottawa Agreements or the British Agricultural Marketing Acts would be unworkable without tariffs and quotas, and some would say are unworkable with them.

industry, with the observation that the depreciated £ already gave a large measure of protection to home industry and a stimulus to the export trade, whilst tariffs would raise the cost of imported semi-manufactured goods which were in fact the raw materials for British export industries.

So strongly did the Liberal Free Traders in the Cabinet feel on this subject that they threatened to resign. The breach in the unity of the National Cabinet seemed unbridgeable, since the Conservatives considered that from their point of view the general tariff proposals were remarkably moderate. Great efforts were made to find a formula which would marry Free-Trade principles to Protective practices. The ingenuity of Lord Hailsham is said to have been equal to the task and the public were startled to learn that Ministers had decided to abandon the doctrine of collective Cabinet responsibility and, whilst acting as one in such matters as foreign and Indian policy—where no difference existed—Liberal Ministers were to be free to speak and vote against the Government's tariff policy.

This alternative to the break-up of the National Government was generally approved by public opinion, although the Opposition naturally made as much capital as possible out of the constitutional innovation. This peculiar experiment although, as we shall see, it was not destined to last, was a striking testimony to the widespread feeling that for the time being "party" politics were an inadmissible luxury.

At the beginning of February 1932 the Chancellor of the Exchequer (Mr. Neville Chamberlain) went down to the House of Commons in order to introduce the Government's proposals for a change in the fiscal policy of Great Britain.

As already mentioned, an Abnormal Importations Act had become law in December 1931, and the House of Commons settled down to listen to the Chancellor with the knowledge that during the brief period which had elapsed since the imposition of these orders under the Act of 1931, imports had declined from £77 million to £62·3 million without any appreciable effect on exports.

The Chancellor explained that the Government proposed to establish a general 10 per cent. *ad valorem* duty on all imports except those set forth on a short free list. Meat and wheat were to be on this list. A Tariff Board consisting of three independent members was to be established, and it would be the duty of this Committee to advise the Treasury as to the size and character of additional duties which were to be imposed on imported articles which were either luxuries or could be manufactured at suitable prices and quantities in Great Britain. The 10 per cent. flat rate was not to apply to Empire goods pending the conclusion of the Ottawa Conference which had been arranged for August 1932.

The Government's proposals were described as being intended to achieve a somewhat bewildering variety of objects. For instance, they were expected to raise revenue; to prevent the external value of the £ from depreciating; to stimulate home industry; to improve the efficiency of home industry; to correct the adverse balance of payments on foreign account; to be used as a weapon against foreign tariff-mongers; to be a possible basis for Imperial Preference.

The manifest inconsistencies in this programme were ably exposed by Sir Herbert Samuel, who exploited his recently acquired right "to agree to differ" with a vigour which shocked the Conservatives. He said with justice that the National Government had asked for a doctor's mandate, which clearly included the medicine of tariffs, in order to deal with the adverse balance of payments on foreign account, but that it was now evident that the country was to be saddled with a permanent tariff system. Mr. Runciman, also a Liberal Free Trader and President of the Board of Trade, disagreed with Sir Herbert on the grounds that the situation still demanded that every effort should be made to guard the stability of sterling. Mr. Baldwin asked that the House should regard these proposals as an experiment, and he took advantage of the occasion to warn industry that it must not imagine it could escape the need for reorganization under shelter of a tariff.

The Import Duties Bill became law on February 29th, 1932—the third reading in the House of Commons was passed by 442 votes to 62. February 29th, 1932, was a notable date in British history, since the passage of this Bill marked the revival of Protection in Great Britain after nearly a century of Free Trade.¹

The Liberal Free-Trade group in the Cabinet lingered on in a pitiable position whilst the Liberal Party in the country appeared to be progressing rapidly towards its political demise. At last an event occurred which brought the issue to a head. In the autumn of 1932 the Ottawa Agreements were published.² In the judgment of the Liberal Free Traders these measures taxed food, hampered the freedom of the British Parliament (London) in the exercise of its powers of taxation and jeopardized good commercial relations between the United Kingdom and her foreign customers.

Sir Herbert Samuel, Sir Archibald Sinclair and Lord Snowden resigned from the National Government. They were glad to go; they were not missed. Mr. Runciman, though still declaring himself a Free Trader, and Sir John Simon remained. Mr. Runciman remained in order to employ his talents in the making of Trade Agreements; Sir John was in charge of the Foreign Office.

(b) *Planned Commerce*

The failure of the World Economic Conference³ in the summer of 1933 made it clear that it was fruitless to expect any international effort to remedy the depression at that time. With prudent foresight, His Majesty's Government had not placed all their hopes on this long-awaited and much heralded international effort. The Ottawa Conference had been one safety bet; bilateral Trade Agreements were another, and when the World Conference finally collapsed the British Government turned with redoubled energy towards this type of trade on the principle that half a loaf is better than no bread.

¹ See Vol. I, Chapter XV, p. 351.

² See Chapter III, p. 96.

³ See Chapter XII, pp. 265 *et seq.*

The general increase which took place all over the world in bilateral Trade Agreements is discussed in Chapter XII, and here we shall only remark that the principle of these Trade Agreements as developed in London was that Great Britain, as the largest single importing market in the world, said to the countries from which she imported: "If you wish to sell your goods in Great Britain you must guarantee to accept a definite quantity of British exports."

It is clear that a bargain of this nature between two countries would lose its effect if concessions such as lowering of tariffs made between the two bargainers were also to be shared by other nations. It is of the essence of this type of Trade Agreement that it should be discriminatory, and since it is the purpose of the Most Favoured Nation Clause embodied in one form or another in most of the commercial treaties made for many years past to prevent international Trade Agreements being discriminatory, it became necessary during the period 1931-34 to devise methods of getting round the stipulations of this Clause. The method usually adopted was that of the quota.¹

At the end of 1934 Great Britain had negotiated Trade Agreements, usually for limited periods of from three to five years, with thirteen countries, including Denmark, the Argentine, Norway and Sweden, Iceland and Finland.

In addition to these agreements various special arrangements both of a commercial and financial nature were made with Germany, whose policy was directed towards self-sufficiency and the minimum possible payments of debts owed abroad.² The British Government was in a

¹ For example, we find in the Anglo-Danish Trade Agreement of April 24th, 1933, that Denmark was guaranteed 62 per cent. of total permitted imports of ham and bacon from foreign countries; that she was given an export quota of butter minimum of 2,300,000 cwts. per annum and a *pro rata* increase if Great Britain imports more than 8,100,000 cwts. of foreign butter in a year; also Denmark was allowed an export quota of 5½ million great hundreds of eggs per annum, and in any case 38 per cent. of the total foreign egg imports into the United Kingdom. These concessions were subject to the proviso that His Majesty's Government reserve the right to regulate imports in the interest of home production, so that theoretically Denmark might find herself entitled to send Great Britain 38 per cent. of nothing if an embargo was put on foreign eggs.

In return for these promises for three years, Denmark agreed to take not less than 80 per cent. of her total coal imports from Great Britain.

² See Chapter VII.

strong position to bring pressure to bear on Germany, because Great Britain bought more from Germany than she sold to her, although Germany bought more from the Empire as a whole than she sold thereto.

Two further episodes in trade relationships deserve mention in this section. One was the conclusion of a trade treaty with Russia. The other was a commercial dispute with France, following Great Britain's abandonment of the gold standard in 1931. The French Government considering that the depreciated £ would give an unfair advantage to British exporters, imposed a 15 per cent. *ad valorem* surtax on a wide range of British goods, and also a special import turnover tax which did not apply to goods from all countries.

The British Government protested that this constituted a breach of the Most Favoured Nation Clause in the Anglo-French Commercial Treaty of 1882, and threatened retaliatory measures. It was remembered in Great Britain that when the French franc had been depreciated during the period 1925-28 there had been no discriminatory tariff in the United Kingdom against French imports.

In January 1934 the French Government, which was seriously concerned by the adverse balance of France's payments on foreign account,¹ an adverse "Balance of Trade" primarily due to the fact that France was adhering to the gold standard, decided to cut down her imports by using the weapon of the quota. She reduced the existing quotas on British imports by 75 per cent., and though this ruling applied to imports from all countries it was not long before the British observed that the quotas of imports from the U.S.A. and Belgium had been restored to the 100 per cent. level in return for special benefits given to French imports by those countries. His Majesty's Government at once protested against this discrimination, and on February 12th, 1934, it was announced that there would be a 20 per cent. addition to existing duties on French goods in order to reduce imports from France by an amount equal to the effect on British exports which had been pro-

¹ See Chapter VI, p. 109.

duced by the French policy. The French then denounced the Commercial Treaty of 1882, and a tariff war was in being.

Fortunately, counsels of moderation were at work on both sides of the Channel, and in June 1934 a provisional agreement was signed whereby :

- (a) All French quotas on British goods were restored to 100 per cent.
- (b) The British withdrew their 20 per cent. surtax.
- (c) The French agreed not to reduce their imports of British coal.
- (d) The British conceded tariff reductions on a variety of French exports.

As we shall see in a later chapter, the episode just described was typical of the kind of negotiation which was taking place during the years 1933-34 between pairs of countries all over the world—to the great detriment of that triangular and multi-lateral commerce which had been the foundation of the world's economy in the pre-War period. Whatever advantages such bilateral agreements might *seem* to bring to the two countries concerned, it was almost impossible to conclude such arrangements without doing harm to the commerce of other nations. In defence of the part played by Great Britain in this business of bilateral and discriminatory agreements it can be said that the British Government took up the attitude that they would have preferred to make all-round agreements, but in the circumstances of 1933-34 these were impossible, and that in proof of their hope that the world would return to freer trade, it was to be observed that in most cases the British Trade Agreements were only signed for a period of three years.

An examination of the British Agreements reveals the fact that whenever they deal with an agricultural import they include a clause which states that notwithstanding the quota figures in the Agreement, His Majesty's Government reserve the right to regulate all imports in the interests of the home production. This clause was inserted as part

of that policy of assisting United Kingdom agriculture which was vigorously pursued by the National Government.

(c) Planned Agriculture

At various times during the post-War period, suggestions had been made that "something should be done for the home farmer," and as far back as 1918 the manifesto of the coalition group which won the "khaki election" included the words: "The War has given a fresh impetus to agriculture; this must not be allowed to expire."

When the National Government came into power, and more especially when the energetic, ex-Fabian Mr. Walter Elliot became Minister of Agriculture and Fisheries, it was expected that vigorous action would take place. These expectations were not disappointed, so much so that it has been stated that during the period 1932-34 Mr. Walter Elliot put the farmers on their feet whilst they were still standing on their heads.

Whatever may be the economic merits of the surprising and radical measures which have been adopted to "plan" agriculture in the United Kingdom, it is probable that the socialistic measures we are about to describe could only have been put across the agricultural front by a government predominantly Conservative in its political make-up. Moreover, the agricultural experiments of the National Government have an importance which transcends their immediate purposes of

- (a) increasing the incomes of United Kingdom farmers;
- (b) increasing the numbers of the rural population;
- (c) decreasing the dependence of Great Britain on overseas food supplies.

The real importance of these experiments is that they represent a large-scale attempt to plan an important industry, an industry notorious for its unorganized condition and the individualistic outlook of its members. Success will certainly serve to encourage further state intervention into other industries; failure will be used as an argument against "planning."

The main principles followed in the efforts to plan United Kingdom agriculture were :

1. Reorganization of production and marketing in Great Britain.
2. Control of imports.

The principle of reorganization of production and marketing was applied through the Marketing Act of 1933, which was an extension of a Marketing Act introduced in 1931 by the Socialist Minister of Agriculture (Dr. Addison). Both Acts were based on the theory that it was the duty of the state to create conditions which would enable the agricultural industry to govern itself. There was general agreement that the chief obstacle to the self-government of agriculture—or any other industry for that matter—was the fact that any plans for reorganization could be nullified by the activities of a small minority. For example, various attempts had been made to organize the Hops Industry, and 92 per cent. of the growers had agreed to participate; but so long as 8 per cent. remained outside the scheme it could not work.

The 1931 Act endeavoured to overcome this difficulty by laying down that if a two-thirds majority of producers, both as regards numbers of producers and total volume of production, agreed to a scheme for the better regulation of their industry, Parliament could, in approving the scheme, give the two-thirds majority legal power to force the minority to adopt the plan.

There was, however, another difficulty in the way of reorganization which was not dealt with by the 1931 Act, and that was the complaint of the farmers that it was useless to attempt to regulate production and marketing in Great Britain because under Free Trade the British price of food-stuffs was governed by the world price, and since, owing to the crisis, world agricultural prices were exceptionally low, the United Kingdom was the dumping ground for the export surplus of world agriculture.

With the advent of the National Government and the abandonment of Free Trade the century-old obstacle to

the protection of British agriculture was removed. The Agricultural Marketing Act of 1933—Mr. Walter Elliot's Act—promised the farmers all that was in the Act of 1931 *plus* the important concession that if they would organize their industry in its several branches the state would regulate imports.

This regulation of imports was carried out either by tariff protection or by quantitative restriction of foreign supplies embodied, as we have seen in the preceding pages, in the Trade Agreements made with various countries. In certain cases, such as that of the Dominions, where regulation by definite quotas was considered impracticable, voluntary arrangements were made with the exporting countries to regulate their supplies. In return for this regulation of imports it was made clear to home producers that the reorganization of the various branches of agriculture was not only to be encouraged but to a large extent enforced.

By the end of 1934 schemes were in force under the Agricultural Marketing Act of 1933 to regulate the production of Hops, Pigs and Bacon, Milk, and Potatoes; and plans for controlling additional commodities were in preparation. It would be out of place in this book to attempt a description of the details of these schemes, which were still in the experimental stage at the end of 1934. The powers under the Act of 1933 were extensive and may be summarized as follows:

“Any persons who satisfy the Minister that they are substantially representative of the producers of an agricultural product in a given area (either the whole or a part of Great Britain) may submit a scheme for regulating the marketing of that product in that area. The product may be either primary (such as beef, hide, eggs, oats, or raspberries) or secondary (such as refined sugar, canned peas, bacon, cheese, or beer). The scheme must provide for a register of producers of the regulated product, for a vote to be taken whether the scheme is to stay in force, for the constitution of a Board elected to represent registered producers, for fines, and arbitration in cases

of dispute, for establishing a fund by contributions from the producers, and for borrowing, lending, or guaranteeing money. Power may be taken under the Act for the Board to buy, sell, advertise, transport, grade, or manufacture the regulated product, and to organize statistics, research, education, co-operation or inspection in connection with it. Two or more Boards (one marketing a primary product and the second a secondary product wholly or mainly derived from it) may combine to establish a Development Board with wide powers over the industry, including the reduction, suppression, or prevention of redundancy in productive capacity. An important part in the experiment has been played by the Reorganization Commissions, consisting of men and women chosen for general capacity in business, accountancy, research, administration, and so forth, who draw up long and thorough reports after exhaustive study with the resources of the Ministry of Agriculture behind them. On such reports the leading schemes have been based.”¹

At the end of *Our Own Times* at least two of the schemes, those for Milk and Bacon, were experiencing difficulties. In the case of Milk an increase in production—due to assured profitable prices—had not resulted in a corresponding increase in consumption, notwithstanding the grant of a Treasury subsidy for the provision of milk to school children. As has been aptly remarked²: “The Milk Marketing Board has much to congratulate itself upon; but it has done nothing to remove the fundamental absurdity of the scheme, by which the taxpayer and consumer are both mulcted in order to encourage the expansion of a ‘surplus’ that has to be sold below cost of production.” The Bacon scheme during 1934 was in danger of collapse owing to the failure of farmers to contract for the supply of the necessary number of pigs to the bacon-curing factory. One result of this scheme had been a sharp rise in the price of bacon to the consumer, and a

¹ Extract from *Planning*, No. 32, July 31st, 1934.

² *Economist*, December 1st, 1934.

payment by the British public to the Danes of a larger sum of money for a smaller quantity of bacon.

At the end of 1934 it was too soon to pass judgment upon the workings of the Agricultural Marketing Schemes, but there were suspicions that they suffered from the fact that it is difficult to "plan" in a half-hearted manner, *e.g.* "to plan" for producers and not "plan" consumption. Moreover, these schemes were almost totally devoid of adequate safeguards for the consumer; they were fundamentally producers' monopolies, and it was doubtful whether in return for the monopoly the state had insisted upon adequate reorganization of the industry.¹

In addition to the main line of policy whose general nature has been outlined above, special measures were taken to protect or develop certain branches of agriculture which for various reasons proved difficult to deal with on general lines. The problem of assisting the wheat producers, always a delicate question in an industrialized Britain, where there was strong political opposition to anything remotely resembling a tax on bread, was met by the Wheat Act of 1932. This Act, which ensured to the home producer a minimum price for his corn, provided for by a processing tax on the milling industry, gave considerable satisfaction to an important section of agriculturalists at a comparatively slight charge to the consumer.² The difficulties of another important section, the meat producers, were less easy to solve, since their chief competitors were the Dominion exporters and those of the Argentine, a country in which Great Britain had considerable financial interests. Pending a permanent solution of this difficult and delicate problem, a subsidy of £3 million was given in 1934 to British beef producers.

Of the other special case, that of the beet sugar industry, a branch of agriculture encouraged in Great Britain after

¹ The Sea Fish Commission's proposals (December 1934) for the reorganization of the herring industry showed a great advance in the direction of comprehensive control of all sections of the industry by the state.

² In so far as the price of bread was concerned, but the United Kingdom wheat farmers received just over £7 million during the cereal year 1933-34 and this was really paid by the consumer through the levy on flour.

the War to the possible advantage of East Anglian farmers at the expense not only of the Exchequer, but of the cane growers of the colonies, all that need be said was that the National Government decided to continue this notorious subsidy pending some agreement between British sugar growers and refiners to relieve the Exchequer at the expense of the consumer.

It was remarked near the beginning of this chapter that in a broad sense the general philosophy underlying the economic policies of the National Government was in part of a "planning" nature. Too much emphasis must not be laid upon this tendency. In retrospect, the unexpected, the empirical and the expedient tend to take up their positions in a framework of evolution which was invisible at the time of the events. In a general way the National Government were conscious of the fact that they possessed a doctor's mandate to readjust conditions in Great Britain to the needs of the twentieth century, but they would not have been a British Government—and Mr. Stanley Baldwin, the moral core of the National Government, is a very considerable Englishman—had they not waited on events and adjusted themselves to circumstances in preference to playing about with Five-Year Plans or New Deals. It may even be doubted whether the crisis of 1931 and the advent of the National Government had any more effect on the long-term evolution of the British economy than to speed up that development of state intervention in economic life which, as we have noted,¹ constituted one of the more permanent and widespread results of the War.

It is probable, just as in 1919-20, that as the crisis passes the state will have to withdraw from some of its advanced positions, but will nevertheless retain a net gain over private enterprise. It should therefore be remembered when considering those activities of the National Government now to be described, that in most cases they were but a development of tendencies which had long been apparent.

¹ Vol. I, Chapter XIV, p. 315.

(d) *Planned Industry*

The world crisis had an influence on the development of British industry similar in kind, if not in degree, to that produced in the agricultural sphere. But whereas the planning of agriculture was largely one of development, the planning of industry in a highly industrialized country such as Great Britain necessarily involved nothing less than the complete reconstruction of the national economy to meet the altered conditions of a world in which the free interchange of goods was being reduced to a minimum.

The financial crisis of 1931 focussed the limelight of public interest and apprehension upon the difficulties which had beset British industry ever since, and even before, the War, and served to lend impetus to developments which had long been in progress. A foreign commentator¹ writing in 1931 remarked that "British Industry is like a primeval forest, where old decaying trees are surrounded by young saplings. Certain branches of industry have made remarkable technical progress during and since the War, but in others one still finds machinery for which the proper place is a science museum." Although this writer failed to make due allowance for the British powers of improvization and adaptation to meet new conditions, there was considerable truth in his allegation. British industrialists were slow to realize either the extent, or the permanence, of the changes which had taken place, and could not reconcile themselves to more than a temporary loss of the former markets for British exports. An outstanding example of this attitude was to be found in the prolonged depression in the cotton trade, due in large measure to the competition of Japan in markets formerly regarded as a close preserve for Lancashire exports. That this newly industrialized country could beat Lancashire at her own game was, as is mentioned in a later chapter,² due at least in part to the lack of organization in the British cotton industry. As with cotton, so with coal, iron and steel, shipping, and in

¹ *England's Crisis*. Siegfried. 1931.

² Chapter XI, *The Far East*, pp. 252-3.

fact all the basic industries which had been built up in Great Britain during the nineteenth century to supply the needs of a world market.

This state of affairs had been a source of anxiety to all the successive governments of the post-War era. There were recurrent demands for "Rationalization," and as the unemployment figures—that unmistakable symptom of disease in the body economic—steadily mounted, a growing volume of opinion urged that the necessary reorganization could not be achieved without some degree of state intervention. But it was not until the financial crisis of 1931 that the man in the street, alarmed by reports that Great Britain was "living on her capital," and was "on the verge of bankruptcy," began to suspect that drastic reorganization was needed in various branches of British industry. A growing number of people abandoned their traditional attitude of hostility towards government "interference" and demanded that British industry should be treated, not as the happy hunting-ground of individual enterprise, but as a national asset involving the welfare of the community as a whole. This is not to say that there was a universal outcry for wholesale nationalization. Far from it. But there was a demand for state regulation of industry in one form or another, an expression of the need to Plan.

The first step in this direction was the abandonment of Free Trade in 1932 following upon a series of tentative experiments with "Safeguarding." Without embarking upon the highly controversial question as to the benefits or otherwise bestowed on British industry by this change of policy, it is interesting to remark that whereas in the case of agriculture, restriction of imports was made contingent upon reorganization on lines either already approved or in course of preparation, in the case of industry, protection was given almost unconditionally.¹ There was a large measure of agreement with the statement of Mr. J. M. Keynes that "we wish—for the time at least and so long

¹ The steel industry was mildly admonished and told that its protective tariff was dependent on reorganization of the industry.

as the present transitional, experimental phase endures—to be our own masters and to be as free as we can make ourselves from the interferences of the outside world.”¹

The experiments in industrial planning which began behind the shelter of this national barricade fall into two main categories :

- (a) the extension of state control over the public utility services, and
- (b) the placing of the authority of the state behind agreements on reorganization reached by a majority vote in any industry.

The growth of public control and management, whether by the central government or by local authorities, of utility services such as posts, telegraphs, water and gas undertakings and so forth was noticeable many years before the period covered by this survey. Such developments as occurred during *Our Own Times*, and particularly during the crisis years, were actuated chiefly by the desire to prevent wasteful competition between various branches of an industry. Among the most noteworthy were the efforts made to regulate the competition between various forms of transport, especially between the railways and the roads.

Between 1918 and 1933 the number of motor vehicles in Great Britain increased from 189,000 to 2¼ million, and, thanks to considerable public contributions to the upkeep of the roads over and above the part of the costs borne by the owners of motor vehicles, the charges for road transport based on competitive costs were by 1933 some 20–30 per cent. below those of the railways. The railways, burdened by expensive capital equipment and further hampered by the restrictions on railway rates imposed in the Act of 1921, suffered so severely from the competition of road transport that railway revenue during the ten years 1923–33 fell by 26 per cent. The first step to regulate competition was taken in the Road and Rail Act of 1930 which divided the country into thirteen traffic areas, each under a Traffic Commissioner who had authority to license all public

¹ *New Statesman and Nation*, July 15th, 1933.

vehicles engaged in the passenger traffic with due regard to their suitability for the purpose; the precautions taken to avoid accidents, such as a limitation of hours of work; and the extent to which competition with other forms of transport was involved. This Act, failing to meet the demand by the railways for regulation of the competition in the goods traffic, was followed by the appointment of a Commission under the chairmanship of Sir Arthur Salter to investigate fully the problem of transport. The report of this Commission was embodied—with certain amendments—in the Road and Rail Traffic Act of 1933, which extended the licence system to cover the transport of goods and greatly strengthened the 1930 Act by empowering the Traffic Commissioner to revoke or suspend licences in cases of non-compliance with the regulations. Further, it modified the Act of 1921 by permitting the railway companies, subject to the approval of the Railway Rates Tribunal, to arrange flat rates with certain classes of customers; the railway companies were also given the right to object to the granting of licences. Yet another step to redress the balance of advantage between the two competing forms of transport was made in the Budget of 1933, which greatly increased the taxation of heavy motor vehicles. The coping-stone was laid upon this edifice of regulatory legislation by the Traffic Act of 1934, which gave the Minister of Transport wide powers to regulate road traffic in the interests of public safety, and reimposed the speed limit in "built-up areas."

Perhaps the most striking features in the planning of industry during *Our Own Times* was the development of the "public concern." This too was a process which had started many years previously, one of the earliest examples being the establishment of the Port of London Authority in 1909 with statutory powers to regulate the traffic of the Port of London. After that date the "public concern," a typically British compromise by which private enterprise, subject to a measure of state supervision, was endowed with authority to make regulations which, within the limits defined in the constituent Act, should have the

force of law, became an increasingly prominent feature in the British industrial system. The organization and powers of these bodies varied considerably, but the underlying principle was the same, whether in the case of the British Broadcasting Corporation, the Central Electricity Board, or the London Passenger Transport Board. They were all attempts to combine the advantages of private management and public supervision for undertakings which were considered too vital to the interests of the community to be left entirely to private enterprise.

In the second category of experiments in industrial planning, *i.e.* the lending of state authority to enforce agreements as to reorganization reached by a majority in any industry, little progress had been made by the end of 1934. But several beginnings had been made which may prove significant and are therefore worthy of mention. Most of the experiments in question were made in industries such as coal, iron and steel, cotton, and shipping, which had been built up on the basis of free competition in a world-wide market. It is not possible in the space at our disposal to deal with all of these schemes in detail. Here we will confine ourselves to the experiment made in the cotton trade, which may serve as a typical case.

The depression in the Lancashire cotton industry can be attributed to a variety of causes, external and internal, among which were, on the one hand, the dwindling of world markets, the reduced purchasing power of overseas agricultural communities, the competition of rayon, and, on the other hand, the failure to re-equip and reorganize, which was in itself principally due to the disastrous speculation during the boom of 1919-20.¹ In 1933 there was estimated to be a redundancy of some 14 million spindles and 150,000 looms; the level of unemployment was phenomenal; the employees were systematically working short time; and the industry was drawing an indirect

¹ The Balfour Committee of 1929 found that the refinanced companies increased their loan capital about five times, and this loan capital was largely borrowed at 5 per cent. free of income tax. As a result the industry passed into the hands of banks, who were reluctant to cut their losses and thus opposed a further obstacle to reorganization.

subsidy from the state by means of the Unemployment Fund. A series of voluntary agreements to abolish undercutting proved abortive, and the industry devoted its attentions, on the one hand, to reducing wages, and on the other to maintaining a constant clamour against foreign, especially Japanese, competition. Two notable developments did, however, take place which may have an important bearing on the future of Lancashire, one of which referred to wages and the other to redundant spindles. After a period of labour unrest due to the question of the more-ooms-per-weaver system, an agreement was reached in 1932 by the Cotton Spinners' and Manufacturers' Association and the Operatives' Amalgamations fixing the wage rates to be paid by the mills adopting the more-ooms-per-weaver system. Unfortunately, many non-associated firms refused to observe the terms of this agreement, and therefore in May 1934 the Government, on the instance of both employers and operatives, introduced a Bill which, during an experimental period of three years, made wage agreements reached by a majority of both employers and operatives legally binding on the whole industry. The second development took place in October 1934, when the Master Cotton Spinners' Association agreed upon a redundancy scheme roughly corresponding to the "scrap and build" scheme in the shipping industry. The scheme aimed at the scrapping or sealing of 10 million spindles, but with no restriction on the replacement of existing plant. The cost of the scheme, estimated at £2 million, was to be borne by a loan secured by a levy on the industry. Attempts were made—without success—to obtain from the Government a subsidy to cover the scheme analogous to that proposed for the shipping industry. On the other hand, the noted individualism of Lancashire was well shown when the cotton spinners rejected at the end of 1934 the scheme put forward by their own "State of Trade Committee" for the reorganization of the industry on a pool and quota basis. This proposal contemplated the formation for an experimental period of three years of a Trade Association with powers to raise a levy on all working spindles, to

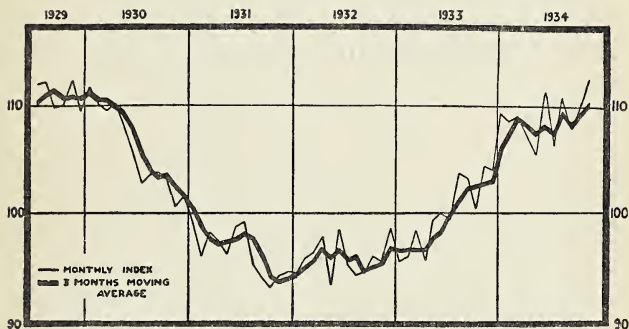
subdivide the producers into sections, to institute price agreements, and to regulate production according to quotas. The scheme required a 90 per cent. majority vote in order to come into operation, and in fact received less than a 50 per cent. vote, 20 per cent. of those concerned not troubling to vote at all.

Finally, no account of the planning of industry in Great Britain would be complete without a reference to an occurrence which, though not then significant in itself, yet served as a straw to show which way the wind was blowing. In April 1934 the National Government introduced legislation designed to nationalize the oil industry should oil in any quantity be discovered in Great Britain. In this rather unlikely event the problems of private ownership of the means of production will be eliminated from the outset.

One may sum up the position as regards "Planned Industry" at the end of *Our Own Times* by observing that to describe British Industry as "planned" or "being planned" in 1935 would have been defined by a Communist as a downright lie; by a Socialist as a picturesque exaggeration; by a "young Conservative" as a happy truth; by a die-hard Tory as a serious national misfortune. In such matters everything is relative to personal outlook. The author can only suggest that to the average man of 1880 the degree of state intervention into industry which was taking place in 1935 would have seemed as incredibly extensive as it will seem incredibly limited to the average man of 1985.

5. Recovery in Great Britain

At the end of *Our Own Times* the friends of the National Government could claim that it had carried out an excellent piece of salvage work; its opponents argued that the recovery of Great Britain was largely due to forces beyond the control of the Government and that in fact all that had been happening since 1931 had been the normal upturn after a slump. Whatever may be the extent of the credit which should be given to the National Government, the statistical data at the end of 1934 indicated that Great



UNITED KINGDOM INDEX OF BUSINESS ACTIVITY

1924 = 100

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Note.—*The Economist* index of business activity which is shown above both in its monthly and three-monthly variations is composed of twenty indices which include statistics of Employment; Consumption of Power, Iron and Steel, and Cotton; Foreign Trade; Motor Vehicle Registration; Postal Receipts; Bank Clearings; Building Activity, etc. If the component parts of the index for the period 1931–34 be examined, it will be apparent that the “recovery” is chiefly due to improvement in trades dependent on the home market. Furthermore, although business activity in 1935 was back to the 1929 level, it would have been above that level if progress had been normal.

Britain had enjoyed a considerable amount of recovery. The story is shown clearly in the curve of business activity reproduced on p. 45.¹

It was chiefly a recovery in the domestic market and it seemed doubtful whether it could proceed much further until international commerce began to recover.

At the end of 1934 the National Government in Great Britain was being pressed, not only by the Labour Opposition, but by a considerable section of its own supporters, for a clear-cut definition of its economic policy. Since in fact its policy was, and always had been, purely empirical, that is to say, one of waiting on events and dealing with each situation as it arose without bothering as to whether its measures could be co-ordinated into a logical and comprehensive programme, this demand proved embarrassing. The dilemma confronting the Government was that if it did anything startling (except perhaps in the matter of housing) it might jeopardize a recovery attributable to a dozen different, and in many cases mutually contradictory, policies, whilst if it "let well alone" it would be laid open to the charge of apathy and complacency from an electorate which had recovered from the shock of 1931 and was beginning to demand vigorous measures calculated to convert national convalescence into complete recovery.

It was noteworthy that amongst those who were criticizing the Government at the end of *Our Own Times* was the Right Honourable David Lloyd George, who upon the heights of elder statesmanship was displaying an activity and ebullience of thought which recalled both his great campaigns for social reform in the years immediately preceding *Our Own Times*, and his energetic direction of the War effort of the British Empire.

In conclusion, the writer will venture a prophecy as to the future of domestic politics in Great Britain. It is that, thanks to a growing recognition that progressive socialization is the inevitable result of the increasing complexity of the economic system, Socialism as such will cease to be a party issue. There will be less and less debate on the principles

¹ By permission of *The Economist*.

of Socialism, and more and more upon its technical aspects.

In the first three years of its life the National Government put across more Socialism than had been thought of by the two minority Labour ministries, and a very large section of the electorate in Great Britain in 1935 was eager for further socialization provided it could be disguised as "Common Sense." The problem could be summed up in the phrase: "How is this Socialism, which seems to be an inevitable feature of modern life, to be made to work?"

CHAPTER II

THE EMPIRE. POLITICAL

"Having the protection of the Commonwealth, he needeth not the defence of private force."—HOBBS.

"Be bolde, Be bolde, and everywhere, Be bolde."—EDMUND SPENSER.

1. *Problems of Self-Government*

THE story of the British Empire from the making of peace to a time round about the years 1926-27—the post-War but pre-crisis period—has already been outlined in this study.¹ We pointed out that during the six or seven years immediately after the War, Imperial problems fell into two groups. Firstly, there were problems of self-government, of which the two most important were to be found in Ireland and India. Secondly, there were problems concerned with the constitutional relations between the component parts of this post-War British Empire, which, though beyond question a species of political unit in the society of sovereign states, was one whose make-up abounded in confusing paradoxes and contradictions.

As we look backwards from the end of Our Own Times in 1935 we see that the two types of problems remained in being, but that to some extent the content of each group was altered.

Ireland by achieving Dominion status² removed herself from the category of self-government problems, but that distressful country immediately proceeded to live up to her reputation by becoming one of the most perplexing of the problems of inter-Imperial relations. India remained essentially in the category of self-government problems, though there were signs towards the end of Our Own Times that in matters economic she was beginning to claim attention in the second category.

¹ See Vol. I, Chapter XII.

² See Vol. I, Chapter XII, p. 250.

Newfoundland swims sadly into our vision, sadly because she reappears as the Lost Dominion in the group of self-government problems. She went backward in time and slipped several rungs down the ladder of self-government. She was tried too hard by the economic crisis.

During those lean years of crisis all the Dominions had to face up to problems of self-government, but of a different nature from those which, with the exception of Ireland, they had solved before the War. The internal political problem which troubled the Dominions during the years 1929-34 was not that of establishing their claim to independent sovereignty, but that of exercising their sovereign powers in a manner which would enable them to weather the storm without losing contact with democratic principles.

We come to the second group of questions, those of inter-Imperial relations, and here we find that as a result of the crisis the relations between the members of the Commonwealth became important from the economic as well as from the political point of view. In fact at the very moment when, through the Statute of Westminster, an attempt was being made to present the world with a formal picture, accurate for all time, of the British Commonwealth of Nations, economic events were in train which were likely to have a profound influence upon the political relationships of the principal members of the Commonwealth. During the period to be covered by this volume we find the Ottawa Conference as well as the Statute of Westminster; the Chief Economic Adviser to His Majesty's Government as well as the Lord Chancellor of Great Britain. Finally, some mention must be made of a question which will become of world-wide significance in the Times to Come, and that is the international position of the British Empire as a whole. Some observations on this matter will be found in the last section of this chapter.

Since it will be necessary in this volume to devote two chapters to Imperial affairs, the subject-matter will be arranged as follows: The present chapter will be concerned with political matters, and the next with economic developments. Each chapter will deal with its subject first from the

internal point of view, and then from the inter-Imperial aspect.

(a) *India*

We left the story of India in Volume I with the statement that a scene of confusion, strife and suppression presented itself to Lord Irwin, the new Viceroy, when he assumed his responsibilities in 1926. In the spring of 1935 the British Parliament was debating legislation designed to give India a new constitution which marked at least as substantial a step forward along the path of self-government as that which had been achieved by the Montague-Chelmsford reforms.

The seven years of Indian history which we shall now review fall into three periods, each of which was brought to a close by the publication of a document of great historical importance. The first phase, from November 1927 to June 1930, was the period of the Simon Commission and produced the Simon Report; the second was the period of the Round Table Conferences, and lasted from June 1930 to December 1932; it ended with the publication of the Indian "White Paper." The last phase was that of the Parliamentary Joint Select Committee which examined the White Paper, and in the autumn of 1934 produced the famous and historic Report on Indian Constitutional Reform.

At the end of 1934 a fourth phase had begun, and this seemed likely to end with a new Government of India Act based on the report of the Select Committee.

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In the autumn of 1926, elections were held in India, and the Nationalist Party, whose members had walked out of the Legislative Assembly in March 1925, were once more returned as the largest party, though with some loss of strength compared with that shown by the figures of the 1923 elections.

On November 25th, 1927, in accordance with the policy laid down in the Government of India Act, 1919, the House of Commons approved the appointment of a Statutory

Commission of seven members under the chairmanship of Sir John Simon, to report on the working of the Constitution of British India. The Commission made two visits to India, the first of which lasted from January to April 1928, and the second from September 1928 to April 1929. It was hoped that the Commission would have the benefit of the advice and co-operation of all parties in India, but from the outset the All-India Congress Party decided to boycott its proceedings. Their main reason for this attitude was that they objected to the procedure of drafting constitutional reforms for India on the recommendations of a Commission composed entirely of Englishmen. They had envisaged a procedure comparable to the bilateral negotiations which had preceded the formulation of the Constitution of the Irish Free State. This attitude is significant in view of later developments. The aims of the Swarajists at this time were that "India shall have the same constitutional status in the comity of nations known as the British Empire as the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa and the Irish Free State, with a Parliament having powers to make laws for the peace, order and good government of India, and an executive responsible to that Parliament, and shall be styled and known as the Commonwealth of India."¹

Overtures to the moderate parties met with more success, for although the Indian legislature as a body refused co-operation, five of its members, together with four members of the Council of State, agreed to act as an Indian Central Committee under the chairmanship of Sir Sankaran Nair. This Committee, acting with the Simon Commission, formed what was known as the Joint Free Conference whose deliberations were continued in London pending the issue of the Report. Before this important event took place another report was issued which had a considerable bearing on the situation. The Butler Committee, which had been appointed simultaneously with the Simon Commission, with the task of investigating the position of the Native States, published its report. Its findings reinforced certain conclusions

¹ See the Nehru Committee's Report to Congress, March 1929.

reached by members of the Statutory Commission in the course of their own investigations on the spot, and convinced them "of the impossibility of continuing to look at one-half of India to the exclusion of the other." The Chairman of the Commission wrote a letter to the Prime Minister seeking approval of the extension of the terms of reference of the Commission in order to cover the relationship of British India with the Native States. Before dealing with the momentous issues arising out of this decision, it will be as well briefly to summarize the main findings of the Simon Commission Report which was published in two parts during June 1930.¹ The most interesting features of the Report were as follows :

- (1) The Commission emphasized the necessity of devising some form of government which would be at once elastic in form and permanent in character, allowing for evolution without a further series of examinations, since the feeling that a Constitution is temporary removes much of the incentive to try and make it work.
- (2) Dyarchy in the provincial sphere should be abolished and full provincial self-government accorded. All departments, including that of Law and Order, were to be run by Indian ministers responsible to a legislature elected on the basis of an extended franchise. It was, however, stipulated that the Provincial Governors should be invested with emergency powers enabling them to override the decisions of the ministers if a breakdown of administration appeared imminent.
- (3) The Central Legislature's powers were to remain unrevised.

The question of Defence, being a question affecting the whole Empire, was left in the hands of the Imperial

¹ It is significant of the great public interest in Indian affairs that this Report was one of the few Command Papers that have ever become "Best Sellers." Twenty thousand copies of the first part were sold within thirty-six hours of publication !

authorities, and a certain amount of supervisory power was retained over the work of the police.

This monumental report, whose recommendations represented a considerable advance towards the realization of Indian ambitions, was destined to become a leading document rather than a controlling edict. To understand how this came about, it is necessary to go back twelve months and to recall that, as mentioned in the letter to the Prime Minister from the Chairman of the Simon Commission, it was suggested that a Conference might usefully be held for the purpose of discovering the attitude of the Princes towards a Federal India.

The British Government adopted and improved upon this suggestion, for in view of the fact that articulate opinion in India was now tending more and more to demand not only Dominion status but in addition "complete independence," it was clear that to be useful the proposed conference must include not only representatives of the British Government and British political parties, but also the Princes, and representatives of British Indian opinion.

This decision was reached a full twelve months before the publication of the Simon Report and inaugurated the era of conferences. The decision to include the Native States in the new proposals for Indian government raised a question of infinite complexity and led to a revision not only of the constitution of British India, but of the whole relation between India and the Imperial Parliament. *Dominion status in some form or other was the inevitable outcome of any attempt to associate the Ruling Princes with the Indian Legislature*, for, unlike British India, the Native States were not under the sovereignty of the Imperial Parliament. Their relations with the King-Emperor were purely personal, conducted through the medium of the Viceroy. For the Ruling Princes to associate themselves with a government which was neither sovereign nor responsible would have been tantamount to a partial surrender of their sovereign rights. The Native Princes, dreading the disruptive influence of a democratic British India, whose policy they could not control, were reported in favour of the Federal idea. Moderate opinion in Great

Britain welcomed their inclusion in the hope that they would add a certain amount of "ballast" to the Indian legislature as well as make possible a measure of that responsibility in the Central Government which Indian Nationalists so greatly desired. A further important influence upon the course of Indian developments was the advent to power of a Labour Government in June 1929. Although the new Prime Minister, Mr. Ramsay MacDonald, disclaimed any change of policy, Labour opinion naturally tended to give more consideration to the views of the opposition in India. As the Prime Minister said in answer to a question in the House of Commons, "What is the good of imposing a constitution on a people when they are not prepared to work it?" This change of attitude, or at any rate of method, received dramatic expression in the famous declaration made by Lord Irwin on October 31st, 1929, in which he said that he had been authorized by the British Government to make it clear that "in their judgment it is implicit in the 1917 Declaration that the natural issue of India's constitutional progress . . . is the attainment of Dominion Status." Whatever the exact implications of this pronouncement, its effect in India was profound.

Thus the problem of the Native States, taken in conjunction with the advent of a Labour Government to office, brought about a radical alteration not only in the scope of the inquiry but in the method of conducting it. The new method was that of a Conference of all parties concerned, British and Indian. There were three sessions of the Round Table Conference; the first in November 1930, the second (at which Mahatma Gandhi was present) in September 1931, and the third in November 1932. The second session had scarcely assembled when the Labour Government was superseded by the National Government, which in the main endorsed the policy of its predecessor.

Before we discuss the final outcome of the three sessions of the Round Table Conference it will be well to return to India and note the activities of the Nationalists. Having decided to boycott the Simon Commission they issued counter-proposals (the Nehru Report of August 1928)

which, as mentioned on p. 51, reflected their demand for immediate Dominion status in which was included the abolition of the India Office.

During 1929 two new factors began to appear in the Indian problem. The Left Wing group in Congress, as represented by the Indian Youth Movement, began to force the pace and—especially in Bengal—to advocate and practise terrorism; secondly, the economic crisis began to cast its shadow over the terribly impoverished Indian villages. Communal feeling remained intense, and in August 1929 the Viceroy announced that during the previous eighteen months 250–300 killed and 2500–3000 injured was the toll of communal riots. Lord Irwin returned to England for consultation with the new Labour Government which was then giving consideration to the question of speeding up the development of self-government in India. The pronouncement made by Lord Irwin concerning Dominion status has already been quoted, and its effect in India was declared to be “profound.” It delighted the moderates, and even the Congress Party decided to offer co-operation in the forthcoming Round Table Conference, provided it was understood that the business should be the immediate drawing up of a Dominion Constitution, and that it should be preceded by the release of political prisoners. The Viceroy met the Nationalist leaders, but pointed out that the final decision concerning the terms of reference of the Conference rested with Parliament in London. At the end of 1929 there was a meeting of the All-India Congress which professed complete disillusionment with the prospects for reform. The Congress jettisoned the Nehru proposals; demanded complete independence for India; refused to participate in the forthcoming conference and announced that a Civil Disobedience Campaign would begin.

On April 6th Mr. Gandhi made his famous march to Dandi, where he formally inaugurated the Civil Disobedience Campaign by illegally making salt. The manufacture of this essential commodity was a government monopoly retained for revenue purposes. The monopoly was unpopular, and illegal salt-making became a symbol in the

fight between the Nationalists and the British authorities. For nearly a year the struggle continued, whilst the first session of the Round Table Conference was in progress. The Nationalists employed the weapons of the boycott of British imports—with very considerable success; picketing of liquor shops¹; non-payment of taxes and, in the case of the Left Wing, the bullet and bomb of the assassin.

The Government replied with emergency decrees, wholesale arrests, and the breaking up of the Congress organization.

At the conclusion of the First Round Table Conference, at which no Congress member had been present, the moderates on their return to India acted as intermediaries between Gandhi and the Viceroy, and in March 1931 an armistice was arranged between Congress and Government.² The political prisoners were released and Civil Disobedience was called off. Although Congress had not been represented at the first session of the Round Table Conference, this meeting achieved the great step forward of laying down the principle that the future progress of self-government for India should be along the lines of an All-India Federation.

It was clearly essential that before principles could be translated into practices the Congress Party must be brought into the discussion, and as a result of the March armistice Mr. Gandhi visited London for the second session of the Round Table Conference (September to December 1931). This second conference suffered to some extent from the fact that it was held whilst a national crisis was taking place in Great Britain, but it was characteristic of the traditional attitude of all parties towards the Indian problem that the startling changes in the domestic scene which took place in Great Britain in the autumn of 1931 were not allowed to affect the maintenance of the principle that India was a non-party subject. The chief result of the second conference was the negative one of revealing the magnitude of the obstacles which had to be overcome and in particular the seriousness of the communal differences between Hindu and Moslem interests. Meanwhile the Left Wing element

¹ Licences for liquor shops were an important source of government revenue.

² The Delhi Pact, March 1931.

had fomented a fresh outbreak of violent disorder in India, to meet which the Government passed Ordinances which gave the administration far-reaching powers.

The Viceroy was now Lord Willingdon, and the new Secretary of State was Sir Samuel Hoare. Although in broad outline the Indian policy of the British National Government was in accord with that of its predecessor, a marked disposition became apparent to move away from the conciliatory policy towards Congress which had been favoured whenever possible by Lord Irwin. On his return from London, Gandhi demanded the withdrawal of the ordinances; the Viceroy refused to accept dictation and a new Civil Disobedience Campaign began. There followed a terrible and unequal struggle in which Congress was defeated by the superior forces of Government exemplified by the lathi (metal-tipped staves used by the Indian police when breaking up crowds), the seemingly infinite capacity of the Indian gaols, and the withdrawal of the support of many Indian industrialists whose nationalism could not stand the economic strain of the losses caused by the disturbances.

In London the India Office grappled with the problem of deciding upon the allocation of representatives to the various communities in the new Constitution. The second session of the Round Table Conference had utterly failed to solve this essentially Indian problem, and the matter had been left to the British Government. The Prime Minister announced his decision in August 1932, and, by evoking protests from all parties, led unprejudiced observers to suspect that substantial justice was being done.

Mr. Gandhi, who was beginning to devote his attention more and more to the problem of the depressed classes and less and less to the political side of the Nationalist Movement, of which he had lost control, now announced a "fast unto death" unless the depressed classes were given better representation. The prestige of this strange man, mixture of saint and subtle politician, was still so great in India, that notwithstanding the resistance of the high-caste Hindus, Gandhi was saved from a self-imposed death by an increase

being granted in the representation of the depressed classes. With the rebellion—for such it was—broken in India, the policy of the British Government rolled forward on its majestic and ponderously-moving course.

A third session of the Round Table Conference opened at the end of 1932 and made rapid progress with consideration of the details of the proposed constitution. The close of this session ended the period of conferences. In March 1933 the British Government published its proposals in the shape of a White Paper. The proposed Constitution provided for autonomous provinces linked by an All-India Federation with a Federal Parliament and Federal Executive responsible to the Legislature in all but certain reserved matters. A further but equally important provision was that during the period of transition, before the institution of a Government responsible in the fullest sense and with certain special responsibilities definitely placed on the shoulders of Governor-General and Governors, there should be certain safeguards to ensure the maintenance of law and order.

It was this document which was examined by a Joint Select Parliamentary Committee of 31 members appointed in April 1933. Its personnel was of tremendous strength and authority, and included the Archbishop of Canterbury, ex-Viceroy, ex-Indian Governors, Lord Derby, Sir Austen Chamberlain and Sir Samuel Hoare (Secretary of State for India).

Whilst the Joint Select Committee was pursuing its deliberations, the Congress party in India decided to recognize the failure of its Civil Disobedience Campaign and to nominate candidates for the 1934 elections to the Legislative Assemblies. The Indian Government reciprocated this move towards co-operation by removing its ban on Congress and releasing a number of political prisoners.

On November 21st the eagerly awaited Report of the Joint Select Committee was published,¹ and it was at once realized that another masterpiece had been added to the world-famous collection of British state papers.

¹ Published as a Blue Book, House of Lords 6 (1 Part I and II), House of Commons 5 (1 Part I and II).

In broad outline the Committee endorsed the White Paper proposals, but in certain respects the safeguards therein were strengthened. It is impossible in a few lines adequately to summarize this remarkable document, but with the plea that it is the duty of every intelligent member of the electorate to read it, an attempt will be made to indicate here the general appearance of the new Constitution as visualized in the Report.

The Provinces were to have provincial autonomy, and to be ruled by a Governor appointed by the Crown and a Ministry responsible to a Legislature chosen by an electorate amounting to about 14 per cent. of the population. "The field of activity which would be controlled by the Ministers and Legislature would comprise, if I may hazard a guess, not less than 90 per cent. of the matters that interest and affect the great mass of the population from day to day."¹

In comparison with the existing (1934) system of dyarchy the proposals for provincial autonomy were progressive in two important respects. Firstly, the responsibility for "Law and Order" was to be transferred to the responsible ministers. Secondly, it was proposed that the Central Government's power of control over the "reserved" subjects in the Provinces should be removed, thus giving the Provinces complete autonomy in provincial matters.

As regards the Central Government, the most important proposal was that it should be of a Federal character and that it should deal with questions such as defence, tariff policy, railways, posts and income-tax, which are of common concern to the whole sub-continent of India. In agreeing in principle to Federation the Princes had insisted that any Federal Government to which they acceded must contain elements of responsible government, and the Joint Select Committee recommended that within a certain range the new Federal Government should be responsible to a Legislature chosen partly by the States and partly by the Legislatures of the Provinces.

In its report the Committee expressed the view that this

¹ The Marquess of Linlithgow (Chairman of the Committee) in a Broadcast, November 22nd, 1934. See *The Listener*, Vol. XII, No. 307.

further grant of responsible government to India demanded the presence of certain statutory safeguards, and that responsible government is not an automatic device which can be manufactured to specification anywhere. Particularly was this true in the special circumstances in India, where powerful disruptive forces, communal and religious, tend to handicap the development of Indian national consciousness and the practical application of responsible government. The Committee pointed out that Great Britain provided a proof that if certain conditions are fulfilled a strong executive can co-exist even with an all-powerful Parliament to which that executive is responsible, and that the safeguards proposed were designed to give the Indian executive all the powers necessary in existing circumstances to enable it to discharge the function of government, while the new Indian Legislatures and the politically-minded class in India were learning the true significance of political responsibility and of parliamentary government.

In summary the safeguards proposed were as follows :

The Governor-General and the Provincial Governors were to be guided by the advice of their ministers so long as this did not conflict with certain "special responsibilities" which in the case of the Governor-General included the safeguarding of "financial credit and stability" and the prevention of the imposition of penal tariffs on goods imported from the United Kingdom. In the case of the Provincial Governors it was recommended that they be given special powers to take effective measures against terrorism, powers to protect the discipline of the police, the rights of the public services, and to prevent discrimination against British trade.

As an illustration of the underlying nature of these safeguards we cannot do better than quote the following passage from the report :

"That word (safeguards), like other words repeatedly used in recent discussions, has become a focus of misunderstandings both in England and India. To many Englishmen it conveys the idea of an ineffective rearguard action, masking a position already evacuated; to many

Indians it seems to imply a selfish reservation of powers inconsistent with any real measure of responsible government. Since it is too late to invent a new terminology, we must make it clear that we use the word in a more precise and quite different sense. On the one hand, the safeguards we contemplate have nothing in common with those mere paper declarations which have been sometimes inserted in constitutional documents, and are dependent for their validity on the goodwill or the timidity of those to whom the real substance of power has been transferred. . . . On the other hand, they are not only not inconsistent with some form of responsible government, but in the present circumstances of India it is no paradox to say that they are the necessary complement to any form of it, without which it could have little or no hope of success. It is in exact proportion as Indians show themselves to be, not only capable of taking and exercising responsibility, but able to supply the missing factors in Indian political life of which we have spoken, that both the need for safeguards and their use will disappear.”¹

In conclusion, two very important recommendations of the Joint Select Committee's Report must be mentioned. The first was the endorsement by the Committee of the proposal for the separation of Burma from India, the second was their endorsement of the view put forward in the White Paper that “the New Indian Constitution must contain within itself the seeds of growth.”

In December 1934 the British Government moved a resolution in Parliament asking leave to introduce a Bill on the general lines of the Joint Committee's Report, and after three days' discussion the resolution was carried by a majority of 410 votes to 127 in the House of Commons. These figures did not accurately represent the ineffectiveness of the “die-hard” opposition, since the minority included the Labour Party whose members were only divided from the Government in their desire to be more radical than the proposals of the Joint Committee's Report.

¹ *Joint Committee on Indian Constitutional Reform*, Vol. I, Part I, p. 12.

The great constitutional reform in India—foreshadowed at the end of *Our Own Times*, as the culmination of two and a half centuries of evolution in British Indian relations, and which was described as being as big a break on this bank and shoal of time with the past as any there has been in India since the days of Warren Hastings¹—was so spectacular in its impressive sweep and scope, so daring, yet prudent, so momentously charged with tremendous possibilities and consequences of import to the whole world, that there is a tendency to forget that whilst one great limb of the Imperial tree was absorbing most of the daylight, other branches were also growing out into the air of self-government, whilst in two cases they became diseased and were subjected to the attentions of the Imperial pruning knife.

(b) *Ceylon*

The Empire contains peoples at every stage of political development, and whilst India was drawing nearer to Dominion status, the Sinhalese in that fragrant island to the south of the great Peninsula were also progressing along the path of self-government. The history of the ancient Kingdom of Lanka, which for over two thousand years was ruled by its own independent dynasties, would make a fascinating historical film on the motif of sea-power. The Roman galleys from the West and the Chinese junks from the East met in the Sinhalese ports, but about the middle of the fifth century the Romans came no more, and it was not until A.D. 1505 that the Western men doubled the Cape of Good Hope and cast anchor off the coast of Ceylon. These pioneers were Portuguese, and after they had dominated the coasts and ports for 140 years they were ousted by the Dutch. In 1796 the English seized the Dutch colony, and in 1815 the whole island passed under the rule of the British Crown by the voluntary act of the highland Sinhalese, who deposed the King of Kandy and acceded to George III.

The nineteenth century witnessed a long period of Crown Colony government, during which the island made sub-

¹ *Manchester Guardian*, November 22nd, 1934. Leading article.

stantial material progress, with the inevitable and customary result that a demand arose for a more liberal form of government. In 1920 the official majority in the Legislative Council gave way to a majority composed of elected and nominated unofficial members.

In 1931, as a result of the report of the Donoughmore Committee, Ceylon was granted a new Constitution. It may be described as giving the island a kind of half-Dominion status, and contained many interesting features, especially the wide scope of the franchise. For the first time an Oriental people were invited to exercise the full adult male and female franchise. The Legislative Assembly, known as the State Council, had 61 members, of whom 50 were elected; 8 of the remaining 11 were nominated by the Governor to represent minorities, and 3 were Civil Servants known as the Officers of State. They were the Chief Secretary, the Financial Secretary, and the Attorney-General. They might speak but not vote. The Council was to elect seven Committees from its members. These elected their own chairman, who then became ministers, though the Board of Ministers had no corporate responsibility except as regards the Budget.

By 1934 the new Constitution had been in operation for three years and appeared to have worked in a satisfactory manner. No less than 68 per cent. of the electorate had used their vote, and the fact that there had been no breakdown in this experiment was the more remarkable in that it was inaugurated at a period when Ceylon was about to feel the full effects of the tremendous fall in the price of her principal exports—tea, rubber and coco-nuts. The Governor possessed considerable “safe-guarding” powers and the Sinhalese claimed that the Constitution should be amended in the direction of reducing the power of the Governor. On the other hand, the Europeans, Burghers, Tamils, Moslems and Indians regarded the Governor’s powers of veto and certification as being a principal protection of their minority rights.

(c) *Kenya*

The political problems in Kenya cannot be considered without taking account of the state of affairs in the contiguous territories of Uganda and the mandated territory of Tanganyika.

In Kenya during the post-War period the problem was how best to reconcile the desires of the white population with the accepted doctrine (itself largely a post-War product) that in tropical lands the white man should be the trustee and not the exploiter of the Native. In Kenya the problems of colonial administration were particularly difficult because large areas of the territory are suitable for white settlement. The population consisted in 1934 of approximately 17,000 politically conscious Europeans; 57,000 Indians and Arabs (semi-politically conscious); and 3,000,000 natives. It is utterly impossible to describe even in a summarized form the various proposals which have been made since the War to deal with Kenya's problems. The student should consult the Hilton Young and Wilson Report of 1929; the White Papers of 1930; the Joint Committee's Report on Closer Union, 1931; the Moyne Report of 1932; and the Land Commission Report of 1934.

Here we must content ourselves with observing that if in 1934 the relations between the British people and those of India seemed likely to be about to enter a new phase at the end of which India would assume full Dominion status, it seemed equally likely that from North to South and East to West in the great African Continent the problem of the relationships, both political and economic, between white and black would assume increasing importance in the Times to Come. It was also permissible to assume in 1934 that this problem would probably best be solved by adhering faithfully to the principle of gradually entrusting subject peoples with that liberty and power of self-government which the British have always maintained is the most desirable of earthly blessings.

Perhaps one day before the twentieth century has quite completed its course, the Televised-Broadcast News Bulletin

will report that the members of the Joint Select Committee for Constitutional Reform in the Federation of Central Africa, who have been considering evidence as to relations between the several autonomous states of Central Africa, “*left Nairobi by stratospheric ’plane this morning and landed in Central London this evening. It is understood that the results of their deliberations will be considered by the Autumn Imperial Conference, and that the inauguration of a new Dominion is a probability of the near future. Public opinion in the Dominion of India is strongly in favour of this advance, and the dreadful lesson of the great black rebellion in the Union of South Africa is not likely to have been forgotten in any part of the Empire. The matter will, of course, also be discussed from the International angle at Geneva.*”

(d) *Two Slips*

Hitherto it has been our business to record a series of events which, however much they may have differed in detail in various parts of the Empire, have had one factor in common. They have all been part and parcel of a progressive movement towards self-government. They have all been the record to a greater or lesser extent of a general movement of decentralization of government from Westminster. But although in the Dominions (with the events which reached their climax in the Statute of Westminster), in India with its new Constitution, in Ceylon, in Kenya, not to mention the Rhodesias, the movement was forward in the sense that advance means independence from the control of Parliament in London, there were two points on the far-flung front of Empire where *Our Own Times* witnessed a retrograde movement. One was Malta; the other was Newfoundland.

(e) *Malta*

The position of Malta in the Empire has always been conditioned by the importance of this island as an Imperial fortress and naval base. Malta, at the desire of the Maltese, was annexed to the British Crown in 1814, and to quote the words of the Malta Royal Commission of 1931 :

“It would be almost possible to plot a graph of the Constitutional history of Malta during the last hundred years showing the rise and fall of Constitutions modelled alternately on the principle of benevolent autocracy and that of representative government. From time to time some measure of self-government was granted and then, after a period, superseded by a strict Crown Colony system.”¹

In 1921 the island was granted a Constitution which included an elected Legislature to control local affairs. The system of government was “dyarchy,” certain matters, especially Imperial interests, being “reserved” to the Governor in Council. The political parties in Malta were “The Nationalists,” who affected a certain cultural connection with Italy, a connection which was encouraged by the Fascist régime in that land, and “The Constitutionalists,” whose main planks were the close maintenance of the British connection and hostility to the political influence of the Roman Church. In 1927 the Constitutionalists, led by Sir Gerald (afterwards Lord) Strickland, won the elections and took office. A dispute developed between the Government and the opposition over the position of the Italian language in Malta and the Church question. Strickland, an uncompromising person, involved his Government in strained relations with the Vatican, which declared him *persona non grata*. By 1930, when the next elections were to be held, a difficult situation had arisen, since the Bishops of Malta and Gozo had issued a pastoral letter declaring that it would be a mortal sin to vote for the Constitutionalists. On May 23rd an attempt was made to assassinate Lord Strickland, and on July 2nd the British Government suspended the Constitution. A Royal Commission was sent to investigate and reported in March 1932, and it was recommended that English and Maltese be recognized as the official languages. Lord Strickland, himself a Roman Catholic, apologized to the Church, and the Pastoral letter against the Constitutional Party was with-

¹ Malta Royal Commission, Cmd. 3993/32.

drawn. In June 1932 elections were held, and resulted in a victory for the Nationalists, who obtained 21 seats out of 32 in the Legislative Assembly. Sir Ugo Mifsud succeeded Lord Strickland as Prime Minister at the head of a Nationalist administration. Malta's constitutional peace was short-lived. The new administration defied the Imperial policy on the language question and was alleged to have allowed the finances of the island to drift into a serious situation. In November 1933 the Governor, acting on instructions from the Colonial Office, dismissed his ministers, declared "a grave emergency within the meaning of the Malta Constitution Letters Patent 1921," and assumed control of all powers. Thus the Constitution was suspended for the second time within three years, and at the close of *Our Own Times* the Maltese, in the judgment of the British Government, had shown themselves temporarily unfitted for the exercise of self-government.

(f) *Newfoundland*

Great Britain's oldest colony comes into our story of Imperial Affairs during the latter part of *Our Own Times*, and into that section of the story which is allocated to questions of self-government, because whilst India was moving a stage nearer sovereign independence, Newfoundland was proceeding in the opposite direction.

As early as 1931 the financial condition of Newfoundland was causing anxiety in London and Ottawa, and technical assistance was lent by the United Kingdom Treasury in the shape of an adviser on government finance. But the situation was beyond technical repair, and as the blasts of the economic blizzard increased in strength they tore aside a cloak of respectability which had for long concealed a thoroughly corrupt political and administrative system. Default on government bonds being imminent, a Royal Commission set forth from Great Britain to Newfoundland in order to report on the situation. Its members produced an astounding and shocking document of whose nature the following extract is sufficient evidence :

“The public debt of the island accumulated over a century, was in twelve years more than doubled: its assets dissipated by improvident administration: the people misled into the acceptance of false standards: and the country sunk in waste and extravagance.

“There has been a continuing process of greed, graft and corruption which has left few classes of the community untouched by its insidious influences.”

Faced with these disclosures, His Majesty's Government in London offered Newfoundland financial assistance on conditions which amounted to the suspension of Dominion status and the relegation of the oldest settlement of the Empire to the rank of a colony, ruled by commissioners responsible to Parliament at Westminster. Bankrupt, ashamed and helpless, Newfoundland accepted the inevitable.

It was an example on the grand scale of the power of economic depression to uproot not only the Kreugers, Hatrys, and Staviskys, but also an administration whose activities had strayed across that shadowy border-line in finance which divides extreme optimism from fraud. It was also a grim example of the fact that the power of debt sometimes transcends the power of self-government.

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Here we shall conclude an outline of the major changes which occurred during the post-War years of *Our Own Times* in the sphere of constitutional development within the Empire. There was a number of interesting signs of growth in several parts of the Colonial Empire, but these events were of little immediate significance in world affairs and must be excluded from this study,¹ though it is most probable that the story of the territories and peoples of the Colonial Empire of 1934 will fill a great deal of space in a survey of *Our Own Times* written fifty years hence.

¹ For example: The transference of Southern Rhodesia in October 1923 from the administration of the British South Africa Company to the initial stages of responsible government, and of Northern Rhodesia from the Chartered Company to Crown Colony government in February 1924. An example of a decentralizing tendency was a movement in Western Australia in favour of secession from the Commonwealth of Australia and the establishment of a separate Dominion of Western Australia. (See *The Times*, Dec. 18th, 1934.)

2. *Commonwealth Relations*

The above phrase is intended to cover the relationships which exist between the United Kingdom and those sovereign states known as Dominions of the British Commonwealth of Nations, as well as those between the various Dominions. It may be as well to say at once that the second group of relationships, in so far as the political side was concerned, did not become of any great importance during Our Own Times. On the side of economics it was otherwise. For example, there was a sharp dispute between Canada and New Zealand on the subject of butter imports from New Zealand to Canada, so that "the political ship of state in a certain Dominion suddenly struck a reef of New Zealand butter and forthwith foundered, with hardly a soul saved."¹

In general, the main subject which we must discuss under this heading is that of the associations between the United Kingdom Government and the Governments of the Dominions. We left this subject in Volume I at a moment when the Balfour Committee on Inter-Imperial relations was delivered of the famous, if somewhat Athanasian, resolution that Great Britain and the Dominions were "autonomous communities within the British Empire, equal in status, and in no way subordinate to one another in any respect of their domestic and external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations." This declaration, whilst it represented with a substantial amount of accuracy the principles on which the relations between the Mother Country and the Dominions were in practice habitually conducted, was found to be in conflict with certain legislative and judicial forms. It was therefore recommended by the Conference on the operation of Dominion Legislation which met in 1929, that action should be taken to give statutory recognition to generally accepted usage. At that time the

¹ Quoted from *British Commonwealth Relations*, edited by A. J. Toynbee. Oxford University Press, 1933, p. 173.

Imperial Government could exercise legal control over the Dominion Governments in four ways :

1. Disallowance—the nullifying of a Dominion Act by special order from the British Government.
2. Reservation—the exercise by the King's Representative of his powers of reserving assent to a Dominion Bill pending instruction from home.
3. The provision embodied in the Colonial Laws Validity Act of 1865 by which a Dominion law, if repugnant to a provision of a United Kingdom Act extending to that Dominion, was void to the extent to which it was repugnant.
4. The limitation on the power of the Dominion Parliaments to give extra-territorial effect to their legislation.

(a) *The Statute of Westminster*

These restraints were removed by the Statute of Westminster of 1931, a Statute which received the assent of the Dominion Parliaments before it was passed in the Imperial Parliament.¹ The purpose of the Statute was “to make clear the Powers of the Dominion Parliaments.” Some people think that it achieved this purpose much as the headlights of a motor-car reveal the extent and density of a fog.

The measure was strongly criticized from many quarters, and it is yet to be seen whether it will not create problems far more serious than those it was intended to solve. The main criticism was succinctly put by Mr. W. M. Hughes of Australia, when he said: “To attempt as the Statute does to crystallize in a formula the relations between Britain and Australia is an act of extreme folly. The merit of the existing relation between Great Britain and the Dominions is its elasticity.” In this connection it is vital to remember that the constitution of the British Commonwealth of

¹ Article X of the Statute, however, provided that its main operative provisions should not extend to Australia, New Zealand and Newfoundland unless adopted by those Dominions by special legislation. Such legislation had not, at the time of writing, been introduced.

Nations, like that of Great Britain itself, has been built up on foundations composed of a judicious blend of law and custom. Square-cut stone slabs of statute law are reinforced by oddly-shaped bricks of precedent, and bound together by the mortar of British political genius—the common sense which determines what course is practicable in any given circumstances and at any given period. An illustration of this is the fact that in none of the Acts of the Imperial Parliament which from 1840 to 1909 conferred self-government on the Dominions is any attempt made to define the relations between the Dominion legislatures and the King's representative. The practice of ministerial responsibility to the legislature, the very essence of self-government, was established not by law, but by a precedent created in Canada by Lord Elgin in the years immediately following the Durham Report. When mountains such as these have been left to be dealt with by usage, it seems superfluous to remove mole-hills by statute. In favour of the Statute of Westminster it may be said that the consensus of opinion of the Conferences of 1926, 1929 and 1930 left the Imperial Government no option with regard to the formulation of some such legislative proposal. As Lord Passfield said in the course of the debate in the House of Lords: "We cannot help this Bill. This Statute of Westminster is possibly a very dangerous experiment, but the Government is not responsible for that . . . the absolute duty of the Government, the Conference (of 1930), the draftsmen's Committee, was to carry into effect Mr. Balfour's formula as adopted by the Conference of 1926." If, as apparently it does, the Statute of Westminster satisfies the national aspirations of the Dominions, then whatever its defects, and whatever the problems it creates, its existence is justified. It must be hoped that the constitutional problems of the British Commonwealth of Nations will be settled in future, as in the past, not in accordance with the words of any legal document, but by the dictates of common sense inspired by a spirit of goodwill. The Statute of Westminster must be judged by the measure in which it serves to foster or discourage a general atmosphere of friendly co-operation.

Whatever satisfaction the Statute of Westminster may have given to the Dominions of Canada, Australia, New Zealand and South Africa, it excited no enthusiasm in Dublin, and at the end of 1934 the "Irish question" still loomed large in Imperial Affairs.

(b) *The Irish Question*

In 1926, although the forty-four "Republican" deputies who were led by Mr. de Valera still refused to take their seats in the Dail because they were not prepared to take the Oath of Allegiance, it appeared as if this deadlock was chiefly an internal matter, and most people in Great Britain believed that with the establishment of the Irish Free State the constitutional relations between that Dominion and Great Britain had been finally settled. Events were to falsify this belief. At the elections which followed the murder of Kevin O'Higgins in July 1927, the Republican Party secured 57 seats as against Cosgrave's 61, and it appeared that the time was now ripe for some sort of compromise on the matter of the Oath. De Valera accordingly announced that he was prepared to accept the Anglo-Irish Treaty of 1921, and to limit his attempts to alter it to the use of peaceful means. The Republican members took their seats in the Dail and began a period of peaceful penetration. The adherence of the Labour Party was secured by advocating a liberal scale of old-age pensions, and this was followed by a bold stroke to obtain the support of the agricultural community. Since 1903 a policy had been followed whereby the Irish landlords had been bought out and their land transferred to the occupying tenants who paid instead of rent a series of long-term annuities, spread over sixty-three years. The scheme was financed by the creation of a land-stock guaranteed by the British Government, who collected the annuities from the farmers and handed them over to the stockholders. De Valera now claimed that these annuities should be considered as part of the National Debt, the liability for which had been removed from the Free State under an Agreement signed in 1924, and suggested that it ought to be collected in

Ireland and used for the benefit of Irish agriculturalists. It was mainly on this issue that he fought and won the election of 1932, and with his return to office he at once began a fresh period of warfare with the British Government. This time the warfare was of an economic nature. In June 1932 the payment of the annuities was suspended. The British Government expostulated and offered to refer the matter for arbitration to a Court selected from the Commonwealth. De Valera demanded that the matter should go before the Hague Court. The British Government refused, being loath to establish such a precedent for an Inter-Imperial dispute. The wordy warfare continued: Mr. de Valera at one time went so far as to claim that England owed the Free State the latter's share of the National Debt since the time of the Act of Union in 1801, to which Mr. Thomas retorted that this was a matter of some £400,000,000! In the meantime the British Government, in order to collect funds to pay the stockholders, placed a 20 per cent. tariff (later increased to 40 per cent.) on Irish goods coming into England. De Valera retaliated with a tariff on English goods, and embarked on a policy of economic self-sufficiency for the Free State. At this time the Ottawa negotiations were in process, and the world was confronted with the spectacle of a trade war in progress between Great Britain and one of the Dominions at a moment when the Commonwealth was endeavouring to establish Imperial economic co-operation. The economic war of attrition continued unabated up to the opening of 1935, when a first move was made in the direction of a saner policy. Early in January a Trade Agreement was made between Great Britain and the Irish Free State under which Great Britain undertook to increase her imports of Irish cattle in return for an undertaking that the Irish Free State would purchase the whole of her imports of coal from Great Britain. It was noteworthy that both coal and cattle were to be imported free of the duties which had been imposed in the course of the trade war.

Unfortunately, there were few indications that 1935 would witness a similar *rapprochement* on the political front. The

first act of the de Valera Government in the new Dail of 1932 had been to introduce a Bill for the abolition of the Oath of Allegiance, thereby raising a point of great constitutional importance. Whether the Irish Free State was within its rights under the Statute of Westminster in passing an Act amending its constitution is too intricate a point to be dealt with here. Legal opinion appears to be divided on this point, and the matter may prove to be a test case in the application of the provisions of that Act.¹

At the end of *Our Own Times*, Mr. de Valera's political position appeared to be unimpaired, in spite of the efforts made to undermine it by a semi-Fascist organization (The Blue Shirts) which had grown up in association with the opposition party led by Mr. Cosgrave. The principal planks in Mr. de Valera's political platform seemed to be :

- (a) Severance of the British connection, to be followed by establishment of a Republic.
- (b) A united Ireland.

In pursuance of (a) above, he had asked the British Government whether Great Britain would take action if the Irish Free State denounced the Anglo-Irish Treaty of 1921, a hypothetical question which the British had refused to answer. The British Cabinet had also evaded the issue as to whether or not the Irish Free State had the legal right to secede, the British attitude being that Anglo-Irish relations were governed by a treaty which could only be modified by mutual agreement. In the meanwhile Mr. de Valera, unwilling to force the issue by a definite denunciation of the Treaty, had steadily undermined it by such actions as reducing the position of the Governor-General to that of a rubber stamp; promoting Bills for the abolition of the Senate and depriving subjects of the Irish Free State of their status as "British" citizens; and, abolishing the right of appeal to the Judicial Committee of the Privy Council.

The attainment of Mr. de Valera's second objective, the association of the six counties of Northern Ireland with the Irish Free State, seemed at the end of *Our Own Times* to be

¹ See Wheare, *Statute of Westminster*, pp. 109 *et seq.*

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as far off as ever, although there is some evidence for believing that Mr. de Valera might modify his demand for the establishment of a republic if by so doing he could secure a United Ireland. But most Ulstermen continued to regard such a project with hostility, and as late as August 1934 declared through the mouth of their Premier, Lord Craigavon, that "A united Ireland is not only impossible but unthinkable and, from the highest Imperial interests, undesirable."

3. The Empire and World Affairs

We shall conclude this chapter upon the political developments within the Empire during the closing years of Our Own Times with some remarks upon the general question of the position of the British Empire in world politics.

We have traced the story of how the Dominions attained the status of sovereignty; we have seen them emerge from the trial of world war and take their seats in the Assembly and sometimes at the Council table of the League. We might have noted that in 1926 Canada appointed a Minister to represent her interests at Washington,¹ where he had as colleagues the British Ambassador and the Ministers representing the Union of South Africa and the Free State. We have taken note of the Statute of Westminster and of the apparent desire of the majority of Irish Free Staters to contract out of the Commonwealth, a purpose which if ever achieved may well prove a preliminary step to a move to contract in again upon a new basis. Yet with the exception of the Irish case all these apparently separatist tendencies have been accompanied by a feeling that instead of weakening the Empire as a political unit they were in fact strengthening it. It has been as if the atoms in a molecular structure were rearranging their relative positions but remaining inside the molecule.² In theory, "Great

¹ Canadian Ministers were accredited to France in 1928 and to Japan in 1929.

² Can one carry the analogy a stage further and suggest that the weightage of the atoms is altering and that the formula

$$G.B_2 + A_1 + C_1 + S.A_1 + N.Z_1 = \text{British Empire}$$

should now read :

$$G.B_1 + A_1 + \text{etc.} = \text{British Commonwealth of Nations.}$$

Britain" in the Empire formula has become "Great Britain" in an association of "autonomous communities," but in practice the burden of defence still lies on the shoulders of the taxpayer in the United Kingdom, and it is in those islands that most of the white population of the Empire is concentrated; London is its cultural, commercial and financial heart. The Statute of Westminster is powerless to affect these practical considerations. The fact that they exist side by side with theoretical equality of status creates a problem analogous to that which arises at Geneva when it becomes necessary for collective action to be taken by states theoretically equal in status but unequal in material resources. At the end of *Our Own Times* this Imperial problem had not been defined and it might be highly dangerous to attempt to do so. We shall only be able to define the problem in a piecemeal manner as we look back and observe what action has been taken to deal with events as they have arisen. But there is evidence that the problem has been recognized, and an interesting unofficial conference met at Toronto in 1933 to discuss Inter-Imperial Relations.¹ This gathering was originally intended to discuss Inter-Imperial machinery for "communication, consultation and action between the members of the British Commonwealth of Nations." But it was soon realized that "machinery" is but a means to an end, and that the nature of the machinery must be conditioned by the purpose for which it is required to be used.

It was not to be expected that such a Conference could possibly define "Empire Ends," nor was it desirable that it should attempt to do so except in the broadest possible manner. A study of the records of this gathering, and of other documents bearing on this subject, suggests that in 1934 instructed opinion throughout the Empire was in agreement on the following propositions:

That it should be the policy of the Empire units severally and jointly so to act as to promote international goodwill; and to support the League of Nations and the collective system

¹ See *British Commonwealth Relations*, Oxford University Press. This book is at least as important for what was left out as for what was put in.

of security in so far as is practicable; and to maintain and promote good relations with the U.S.A.

The first set of propositions was founded on the unquestionable truth that both the League of Nations system and the British Empire system have as their purpose the maintenance of peace. The chief justification for the existence of the British Empire, *tempo* 1934, was that it afforded a practical demonstration of the truth that sovereign states geographically spread across the world, inhabited by many peoples differing in many ways one from the other, could lie within a political and economic framework, or if that word be too strong let us write "within an environment," from which war as a method of settling disputes had become unthinkable.¹ The Empire was significant because it showed not what Englishmen were, but what human beings could be.²

At the end of *Our Own Times* the Empire remained a deeper "mystery" than ever, presenting many features incomprehensible to foreigners and ignored by the British. This "mystery" had defied attempts rashly made at Westminster and Ottawa to define and formalize its essential inwardness, to cage and crib within the form of words and inscribe upon the parchment of law those things of the spirit which so many men in so many parts of the Empire intuitively felt were existent somewhere and somehow within the Imperial body corporate and nebulous. In the Empire there was a sense that there existed what a German sociologist, writing of the metaphysical causes of the Nazi revolution, described as "das verbindende Etwas, die Brücke des Gefühls"—"that something which binds together, the bridge of common feeling." At the end of *Our Own Times* "*London Bridge had fallen down, fallen down, fallen down . . .*" and a new bridge was needed to carry the Empire traffic of the twentieth century. In accordance with modern engineering practice it will probably be a light and airy affair, but it need not be less

¹ It was manifestly absurd to British thought that His Majesty could be at peace in one of his manifestations and at war in another, as would be the case in an inter-Dominion war.

² Arnold Toynbee's phrase.

strong, and it may be stronger than the old bridge of nineteenth-century stone which served its purpose well enough during the years of the second British Empire (1776-1919). It will also be a bridge, perhaps a network of bridges, built from the ends towards the centre. The old London Bridge which was finally demolished by the Statute of Westminster was built outwards from Great Britain; the new bridges are likely to come inwards from the Dominions.

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During the Times to Come, Empire statesmanship will be confronted with many difficult problems of co-operation. Within the Empire there will be questions such as those of emigration, of monetary and commercial policies, and of Imperial Defence.¹ Externally, the problems of the practical relationship between the Empire system and the League system and relations with the U.S.A. will become increasingly important. Where should we go to find a guiding principle? The answer is to be found in the Third Chapter of the Second Epistle to the Corinthians, where it is written :

“Not of the letter, but of the spirit; for the letter killeth, but the spirit giveth life.”

¹ For an example of a Dominion attitude towards defence which illustrates the nature of that problem, see the speech made by Mr. Pirow, South African Minister of Defence, on February 5th, 1935.

CHAPTER III

THE EMPIRE—ECONOMIC

“To prohibit a great people, however, from making all that they can of every part of their own produce, or from employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind.”

ADAM SMITH, *The Wealth of Nations—of Colonies.*

“To propose that Great Britain should voluntarily give up all authority over her colonies . . . would be to propose such a measure as never was, and never will be adopted, by any nation in the world . . . the most visionary enthusiast would scarce be capable of proposing such a measure with any serious hopes at least of its ever being adopted. If it was adopted, however, Great Britain . . . might settle with them (the colonies) such a treaty of commerce as would effectually secure to her a free trade more advantageous to the great body of the people . . . than the monopoly which she at present enjoys . . . it might dispose them . . . to favour us in war as well as in trade . . . to become our most faithful, affectionate and generous allies. . . .”—*Op. cit.*

WE have examined the political developments which occurred in the British Empire during the closing years of Our Own Times and we have seen that the “visionary measure” referred to in the eighteenth century by Adam Smith in the quotation at the head of this chapter had become a reality by 1934, although a Southern Irishman might question the appropriateness of the word “voluntary,” and some Indians would probably concur in this view. It is clear from his writings in *The Wealth of Nations* that Adam Smith had the vision of Dominion status, and that he hoped as an economist that political independence within the Empire would lead to economic co-operation. We must now survey the financial and commercial developments which took place within the Empire during the years 1931–34 and see whether the second part of Adam Smith’s vision came true. The World Crisis dominates the story.

Its relentless pressure was felt at an early date by the overseas Dominions whose prosperity was chiefly dependent

upon the sale at profitable prices of raw materials to industrial Europe and America. Each sovereign state within the Empire was to a greater or lesser extent obliged by the crisis to pay attention to grave problems of internal reorganization, analogous to those which were the cause of the establishment of a National Government in Great Britain. We shall briefly describe how each Dominion grappled with the task of adjusting its internal economic life to changing world conditions, and we shall then proceed to show how the crisis affected the Empire as a whole. For it not only drove each Dominion to look inwards for economic salvation, but it also drew the Dominions and Great Britain together round a Council table at Ottawa in order to investigate the possibilities of that Imperial economic co-operation which the genius of Adam Smith had foreseen to be the fruits of a free political association of sovereign states.

It will be convenient first to deal with the internal affairs of the Dominions before we take our passage to Ottawa in the *Empress of Britain*. We will begin with the Commonwealth of Australia, first of the Empire sovereign states to feel the impact of the crisis.

1. *Australia and the Crisis*

In the comparatively short period between 1871-1931 the Australian people had built up a very high standard of living upon the three pillars of wool, wheat and large supplies of cheap credit in London. The Australians were in many ways insular-minded and failed to appreciate that their desire to build up home industries which could only exist behind high tariff walls would land them into difficulties if and when the golden stream from London was cut off. High tariffs were set up, and Australian industry grew up with mushroom speed; the War accelerated the process.¹ Although the growth of Australian industry was impressive,

¹ In 1931-32, a year of depression, Australian primary production had reached a total of £193 million as compared with £40 million for the centenary year, 1871. In 1931-32 the value of her manufactures amounted to over £281 million.

the market for its output depended upon the purchasing power of the farmer, and he in his turn was at the mercy of the consumer in the industrial countries.

When the crisis put an end to the process of international lending and London closed down its overseas money market,¹ the realities of the Australian situation began to emerge, and the speed and extent of the fall in the price of primary products (which accounted for 68 per cent. of the Australian export trade) rapidly brought Australia to the verge of national bankruptcy.

The wool situation was one of the chief immediate causes of the trouble. Australia supplied the world in 1933 with one-quarter of its total output of wool, and in the year 1927-28 she had received £66 million for the clip, a figure nearly half the value of all her exports.² In 1930 the price of wool had fallen by over 50 per cent., and the value of the clip for 1931-32 was about £35 million.

Since London had stopped giving credits to Australia, and since Australia's receipts from wool and other exports had declined catastrophically, whereas no serious attempt had been made to decrease expenditure, the budgetary positions, both of the Commonwealth and of the States, began to deteriorate. The Australian £ lost its exchange value with the United Kingdom and was quoted early in 1931 at 17s. sterling.

In 1930 Sir Otto Niemeyer, an ex-Treasury official in the Bank of England and a famous diagnostician of diseased public finances, had paid a visit to Australia and made certain recommendations of a deflationary nature which might balance the budgets. These proposals, which would have lowered the standards of life in Australia, were not acceptable to the Labour Commonwealth Cabinet led by Mr. Scullin, and his views were shared by Mr. Lang, the very radical leader of a Labour Government in the state of New South Wales. A good deal was said in Australia to the effect that Sir Otto was the emissary of the bondholders in London who owned Australian stock, and

¹ See Vol. I, Chapter XVI.

² *Australian Year Book*, No. 26, p. 255.

that "the City" was determined to obtain its pound of flesh regardless of the social consequences in Australia.

That the Australian Governments had over-borrowed was now obvious, but it was no less clear that the London financial houses had been equally to blame in encouraging the Australians to dip their buckets deep into the well of easy credit.

Although Sir Otto's advice was rejected, the growing seriousness of the situation became evident in April 1931 when the Commonwealth Bank notified the Chairman of the Loans Council that it could make no further extension of credit. At that time the Australian Governments were indebted to the extent of £51.5 million to the Commonwealth Bank, and were faced with a joint deficit of £39 million for the coming year. In these circumstances the Loan Council appointed a sub-committee of four economists and the five state under-treasurers to inquire into the budget policies of the states. The results of their investigations were embodied in a report which was adopted by the Conference of Prime Ministers at Canberra in May 1931, and became known as the Premiers' Plan.

The basis of this Plan was the principle that the consequences of the fall in the national income should be shared fairly between all classes of the community. Salaries and wage rates were cut down by about 20 per cent.; whilst a semi-compulsory conversion operation of government bonds reduced the incomes of *rentiers* by a similar figure. Supplementary measures were taken to effect a corresponding reduction in interest rates. The reduction in wages showed that the Courts of Arbitration which fix wage rates throughout Australia in accordance with movements of the cost of living were capable of greater elasticity in their operations than had been previously supposed. The decision of the Federal Court of June 1931, subsequently endorsed in the Premiers' Plan, effected a reduction of 10 per cent. in real, as distinct from money, wages. It was not merely a reduction in accordance with the fall in cost of living index, but a definite reduction in the standard of living.

The so-called¹ "voluntary" conversion of the internal debt of £556 million from 5½ per cent. to less than 4 per cent. was carried out in a series of operations, the first of which took place in the summer of 1931 and the last in February 1934. The economy measures initiated under the Premiers' Plan were accompanied by certain internal inflationary measures designed to counteract their depressing influence on industry and employment.

For the first time the Commonwealth Bank began the discounting of Treasury Bills, thus creating a considerable expansion of credit which played a large—some authorities consider the largest—part in Australian recovery. This innovation was also of importance in so far as it created a new and closer relationship between the Commonwealth Bank and the Federal Government. Another fact of considerable importance was the relief to the Australian Exchange position given firstly by the extension of the Hoover Moratorium of 1931 to inter-Empire Government debts, and subsequently by Great Britain's abandonment of the gold standard. By 1934 the Australian £ stood at about half of its pre-War gold parity, a circumstance which stimulated the export trade and helped to redress the Australian balance of payments. These drastic measures were not carried through without opposition, the bulk of which came from New South Wales in which state Mr. Lang had his own scheme.

The Lang Plan for resolving Australia's difficulties involved the suspension of interest payments to overseas bondholders,² the reduction of interest on all internal loans to 3 per cent., and the replacement of the gold standard by a "currency" based on the wealth of Australia, to be called "the goods standard." He succeeded in carrying out the first item on his programme by refusing to pay the

¹ "So-called" because arrangements were made by which those who did not convert voluntarily were to have their stocks converted by compulsion. Cf. the far more artistically contrived United Kingdom Conversion Loan of 1933.

² Mr. Lang argued that the basic needs of an Australian household should have priority over the bondholders in London. But lest the sympathetic reader feel too soft towards Mr. Lang it is well to remember that the "bondholder" may be an insurance company upon whose solvency depends the fate of widows and orphans.

interest to bondholders due in April 1931. This obligation was taken over under the Financial Agreement of 1927 by the Commonwealth Treasury, on the understanding that the sums involved should subsequently be recoverable from New South Wales. In April 1931 a startling occurrence prevented Mr. Lang from proceeding further with his plans. The New South Wales Savings Bank closed down because its depositors made a run on it in anticipation of the proposed reduction of interest rates. This event had a sobering effect not only on New South Wales, but on the Commonwealth as a whole, especially as the Commonwealth Savings Bank at one time showed signs of proceeding down the same road towards insolvency.

In November 1931 the Federal Labour Government under Mr. Scullin was defeated on a vote of censure and a general election was held, which resulted in the return of a majority composed of the two conservative parties, the Nationalists, under Mr. Lyons, and the Country Party led by Mr. Page. Mr. Lyons took office at the end of December. There followed a period of acute conflict between the Federal and New South Wales Governments, which only ended when in May 1932 the Governor of that state withdrew Mr. Lang's commission and requested Mr. Stevens to form a ministry.¹

Australia, first into the crisis, was the first to scramble out of the depression. By the beginning of 1933 she was well on the road to partial recovery. In October 1933 Mr. Lyons was able to introduce a "prosperity" budget which, in spite of certain reductions of taxation made in November 1932, showed a surplus of some £3½ million. A year later, on the eve of the 1934 elections, he was able to show that in spite of considerable restorations of pensions and reductions in taxation amounting in all to about £10 million, the Federal accounts for the year ending June 1934 showed a surplus of about £1 million. At the same time he was able to announce that unemployment, which

¹ The Governor was enabled to take this decisive step owing to the fact that Mr. Lang had issued, and refused to cancel, illegal instructions to the heads of departments at an election held in June. The Governor's action was shown to have reflected the views of the great majority of the electors. (See *Economist*, May 21st, 1932.)

had stood at 30 per cent. in the second quarter of 1932, had steadily decreased until by June 1934 it stood at 20·9 per cent. He estimated that the amount of unemployment directly due to the depression had been almost halved. He further remarked that factory employment had increased by 20 per cent. between 1931-32 and 1933-34.

As regards primary products the most noticeable recovery had been in the wool trade. The Australian wool cheque for the year ending June 1934 was over £52 million, the highest figure since 1928, though there was a relapse in prices during the latter half of 1934 owing to the decline in the German demand. In view of the importance to Australia of the export of wool, it is significant that for some years the Japanese demand for that commodity had been increasing rapidly and Japan was becoming Australia's principal customer for wool. Politically the Australians were alarmed at Japan's expansionist policy in the Far East; economically Australia was becoming dependent upon Japanese prosperity. The elections of September 1934, in which the principal issue was whether or not the country would continue to abide by the principles of the Premiers' Plan, resulted in the return of Mr. Lyons for another term of office. This time, however, the Nationalist Party had not a clear majority, and a Coalition Government was formed which included four members of the Country Party. It was hoped in Great Britain that this Coalition might modify the traditional high tariff policy of Australia in order to assist the farmer and to meet the growing agitation amongst British manufacturers for a larger margin of Imperial Preference. In January 1935 the Commonwealth government was resisting suggestions that Australia's agricultural exports to Great Britain should be restricted, and hinting that if necessary retaliatory action would be taken against United Kingdom exports.

2. New Zealand

In general the troubles suffered by the Dominion of New Zealand as a result of the crisis were similar to those of Australia, or indeed of all the "primary" producing

countries overseas, such as the republics of South America. In the case of New Zealand there were some features which must be mentioned. During the latter half of the nineteenth century the Dominion had been settled by emigrants from the United Kingdom and financed by capital from London as a distant dairy farm for Great Britain. The inhabitants of New Zealand numbered but one and a half million in 1933, but during the closing years of *Our Own Times* the activities of these South Pacific farmers in the Antipodes supplied Great Britain with two-thirds of the cheese, one-quarter of the butter, and more than half the frozen mutton and lamb brought from overseas to the consumers of the United Kingdom. The New Zealanders have always been less "nationalistic" than the Australians, and were well content to be England's farm and to rely upon the factories of the Mother Country for their industrial needs. The services of the loans raised in London required about £9 million a year, and this was met by the export surplus of farm goods. Even so, New Zealand was in the habit of importing more than twice as much per head of population than was the case in Canada, Australia or South Africa.

When the price of agricultural products began to fall the New Zealanders increased their output, hoping thereby to counteract the fall in value¹; but even so, the agricultural cheque received by New Zealand from her exports fell from £83 million in 1928-29 to £50 million in 1931-32. Not only did New Zealand suffer from the fall of value but she also had to fight hard to retain her right to export produce to some of the markets she had supplied in the years before the crisis. In 1930 the Canadian Government, in order to protect its own farmers, increased the tariff rate on New Zealand butter. The New Zealanders protested, but in vain, and as a retaliatory measure placed almost all Canadian goods upon the general tariff list and thus deprived them of their British preference. But far more menacing to the New Zealander was the threat that as part of the United Kingdom agricultural policy, the market in Great

¹ The output of butter rose between 1931-32 and 1932-33 by 22·6 per cent., and by 9·5 per cent. during the next twelve months.

Britain for New Zealand dairy produce might be restricted. We shall return to this subject in a moment, but before doing so we must record that in 1932 the growing volume of unemployment¹ and the distress of the farming community obliged the Government to take active measures to combat the crisis.

Taxation was increased in order to check the growing budgetary deficit, and wages were reduced,² but the main shield under which it was hoped to shelter the New Zealand farmer was the device of currency depreciation. On January 20th, 1933, the exchange rate on London was raised from £(N.Z.)₁₁₀ to £(N.Z.)₁₂₅ to £₁₀₀ sterling. The banks promised co-operation, provided the Government indemnified them against loss. This deliberate depreciation of the New Zealand £ in order to boost the export trade was opposed by the industrial and mercantile classes of the country, and the Finance Minister, Mr. Downie, resigned. In spite of constant opposition by certain sections of public opinion both in New Zealand and in Great Britain, and although a large sterling balance of some £20 million had accumulated in London, no alteration had been made in New Zealand currency policy at the end of 1934.

Like Australia, New Zealand converted its internal National Debt to a lower level of interest. The scheme was "voluntary," but laggards were galvanized into patriotic activity by a law which imposed a special tax of 33½ per cent. on interest received from unconverted securities!

One consequence of the prominence given in New Zealand to financial policy was the establishment, notwithstanding the usual opposition from the commercial banks, of a New Zealand Central Bank which began operations in August 1934.

The effects of the depreciated New Zealand pound³ on

¹ In 1929=3000 unemployed; 1930=38,000; 1932=45,000; 1933=51,000.

² The wage reduction of 10 per cent. had been confirmed by the New Zealand Arbitration Court on June 8th, 1931.

³ It stimulated exports because £100 in London would buy £125 for expenditure in New Zealand. See Appendix II., Vol. I. Similarly the fall in the exchange value of the £ N.Z. tended to check imports, since a New Zealander had to pay £125 N.Z. in order to meet a bill in London for £100 (sterling) of goods.

the volume of exports were remarkable. The exports per head from New Zealand increased by 30 per cent. between 1928-33, whereas the corresponding figure for imports was a fall of $27\frac{1}{2}$ per cent. It was anticipated that the budget would be balanced for the year 1934-35. But this New Zealand "recovery" being based chiefly on a depreciation of the currency, had repercussions elsewhere and was by no means pleasing to the United Kingdom farmer, who found that the competition of New Zealand dairy produce was becoming ever more severe. It was in fact an example of Empire "dumping," and the United Kingdom farmer called for a restriction of these imports from the other side of the world.

The New Zealanders were fully alive to the dangerous possibilities in the situation, and made tentative efforts to secure an undertaking from Great Britain that if New Zealand allowed the free entry of an unlimited quantity of United Kingdom manufactured goods, there should be similar treatment for an unlimited quantity of New Zealand produce. To have acceded to this request would have jeopardized a large part of the United Kingdom agricultural policy, and His Majesty's Government in London returned a polite but negative reply to His Majesty's Government in New Zealand.

At the end of *Our Own Times* the New Zealanders were protesting vigorously at the prospect of compulsory restriction of their imports into Great Britain, and the day of such restriction seemed to be drawing near. This issue between the United Kingdom and New Zealand was but one aspect of the larger question as to what was to be the balance between industry and agriculture in the several sovereign states of the Empire and even in parts of "the sterling bloc."

3. Canada

The effect of the crisis on the internal policies of Canada was no less marked than that produced in other Dominions. Up to 1930 Canada could be classed as one of the "moderate tariff" countries. Her tariff policy was largely governed

by the needs of the producers of her staple exports, which were wheat, flour, paper and timber. During the years preceding the depression her exports per head of population were three and a half times as great as those of the United States. At the elections of 1930 Canadian industrialists were closely associated with the return of a Conservative Government under the leadership of the forceful Mr. Bennett, and the Conservatives took office with a clear mandate for high protection. After that date Canada became one of the most highly protected countries in the world, a situation little altered by the Ottawa Conference,¹ which merely resulted in the transfer to Great Britain and other parts of the Empire of a proportion of the Canadian imports previously drawn from the United States.

It was the misfortune of the Canadian Conservative Party to come into office with the depression, when the collapse of prices in the world wheat market was threatening the economic stability of a country heavily burdened with unproductive debt and saddled with two enormous and competitive railway systems (the C.P.R. and The National), one of which was state-owned, and both of which were unprofitable.

Moreover, just as South Africa has had her British-Dutch problem, and Australia the problem of Western Australia, so Canada had a similar and perhaps more acute problem in the shape of the French-Canadian *bloc* in Quebec.

In dealing with crisis conditions, whether engendered by war or economic depression, emergencies are best met by centralized action, but in Canada the differences in outlook and interest of the "habitant" of Quebec, the farmer of Winnipeg, and the lumberman west of the Rockies in British Columbia, made vigorous action by the Federal Government a particularly difficult matter.

As the crisis deepened and the Canadians learnt that during 1933-34 more than 1,400,000, or a ninth of the population, were on relief, a widespread demand arose for radical action. One form in which this was expressed took the shape of a new political party called Co-operative

¹ See Chapter III, p. 94 *et seq.*

Commonwealth Federation (C.C.F.), which attracted to its banner a mixed company of Socialists, radical farmers and persons with advanced views on most subjects. At the end of 1934 the C.C.F. was disintegrating, but it had played some part in persuading the Conservative Government, *i.e.* Mr. Bennett,¹ to be up and doing in the direction of *State Planning*. An indication of this move was the passage in 1934 of the "Natural Products Marketing Bill," a measure modelled upon the United Kingdom Agricultural Marketing Act, but which in some respects was more radical than its prototype.²

The influence in Canada of political and economic events in the U.S.A. is always very strong, and the New Deal philosophy had its echoes across the border. The Canadian Government were obliged to appoint a committee, which afterwards became a Royal Commission, with instructions to investigate industrial conditions and price spreads. The evidence elicited by the inquiry profoundly shocked Canadian public opinion, for it became clear that notwithstanding the high tariff, which was supposed to guard the "Canadian standard of living" from attack by cheap foreign labour, there existed in Canadian industry sweat-shop labour and astonishingly low wages. 1934 also witnessed the establishment of a Canadian Central Bank. Though industrial reform was badly needed, it could not take place unless and until the Federal Government was able to override the Provincial Legislatures in such matters, and for this to be possible an amendment of the British North America Act was necessary. The Provinces in general, and Quebec in particular, were extremely jealous of their rights,³ and constitutional amendment was a difficult matter, and no

¹ A story is told of Mr. Bennett that he was observed walking round the Parliament buildings muttering to himself. A stranger asked who that might be? He was told that it was the Prime Minister of Canada holding a Cabinet meeting!

² "I am for reform, and in my mind reform means government intervention. It means government control and intervention. It means the end of *laissez-faire*." (Mr. Bennett in a Broadcast address. See *The Times*, January 3rd, 1935.)

³ On December 21st, 1934, Mr. Patullo, the Premier of British Columbia, issued a statement declaring that his Provincial Government intended to prevent the entry into British Columbia of Eastern Canadian goods produced under lower standards of wages and hours than those in British Columbia.

easier for Liberals than Conservatives, since the former were dependent upon the French-Canadian vote in Quebec.

The year 1934 closed with the Conservatives in Canada endeavouring to stave off disaster at the elections of 1935 by interpreting the general feeling for state intervention to meet the crisis in a more vigorous manner than would be possible to their Liberal opponents, whose Liberalism was largely of the *laissez-faire* variety and in any case restricted by the extreme conservatism of the so-called Liberals in Quebec. As a result of a journey across Canada in the autumn of 1934, the writer was left with an impression that Canada, like Australia, had learnt the lesson that high tariffs are an economic danger to a country principally dependent for its prosperity upon the export of raw materials.

4. *The Union of South Africa*

The economic strength of South Africa is in part derived from the export of agricultural produce and in part from the export of gold. Like all overseas raw material producers the Union was hard hit by the precipitous fall in the price of raw materials, which was one of the chief phenomena of the crisis. But as regards the export of gold there is a very different story to tell. The world's financial disorganization consequent upon the progressive abandonment of the gold standard was a stroke of rare good fortune for South Africa, which produces nearly 50 per cent. of the world's annual supply of gold. ✓

As currencies were devalued in terms of gold in all parts of the world, until in 1934 only the few gold *bloc* countries rallied round the Bank of France, the value of gold greatly increased in terms of goods. When South Africa, having protested that she would never abandon the gold standard, did so in December 1932, a tremendous boom began in the gold-mining industry. It became profitable to work and develop mines of low-grade ore, which were uneconomic with gold at 84s. an ounce, but profitable ventures when the price of gold rose to 135s.-160s. an ounce. The prosperity of the gold mines in South Africa was offset

by extreme depression amongst her farmers, whose Job-like afflictions were made almost unbearable by exceptional droughts. Apart from this boom in the gold industry the outstanding result of the crisis in South Africa was to carry a stage further that reconciliation between the Dutch and English sections of the population which had begun with the Union, was accelerated by the Great War, and was greatly facilitated by the concessions to Nationalist aspirations contained in the Statute of Westminster. It remained for the economic crisis, which, as we have seen, squeezed national states so hard that the juice of political controversy fell from their bodies, leaving dry "national" all-party governments in command, to complete the process of South African unification. At the time when the world crisis reached South Africa the principal parties were the Nationalist Party led by General Hertzog and the South African Party under General Smuts. The former was mainly composed of the Dutch section of the population, most of whom were farmers and, until 1931 at any rate, was anti-Imperialist, secessionist, and even republican in its tendencies. The South African Party was chiefly composed of the "English" part of the population, and was especially strong in Natal. Its leader, "Slim Jannie," as he was called by his political opponents, was a statesman of international reputation, a staunch advocate of the British connection, and of liberal opinions except as regarded that greatest of South African problems, the native question. Upon this question the two historic parties differed only in the degree of their illiberality. The Dutch in South Africa have always believed in the firm hand in native matters; the English have suspected that the native is a species of human being.

The hostility of the Nationalist Party to any aspirations of the black man towards economic and political equality with the white man caused the small Labour Party to ally itself with the Nationalist Party. This small group (21 members in 1920 in a Legislature of 134) was virtually wiped out in the 1933 elections, which witnessed the conclusion of a pact between Hertzog and Smuts and the formation of a National Government with an overwhelming majority.

It was explicitly laid down in the compromise on which the fusion was based that both sides upheld the national independence of South Africa—"as confirmed by the Statute of Westminster and the Status of Union Act" and the maintenance of "the existing relationship between South Africa and the British Commonwealth of Nations." In December 1934 the negotiations between the South African and Nationalist parties were carried a stage further when the two old parties were formally merged into a new organization to be known as the United Party of South Africa. One result of this amalgamation of parties was that the Native question was virtually shelved, but although the whole question of the relationship between white and black is still in an embryonic stage, and not having become internationally or even nationally prominent during *Our Own Times*, is excluded from this study, it seems certain to become a great problem with world-wide ramifications in the *Times to Come*.¹

The vast areas from the Sudan to the Cape of Good Hope and from Zanzibar to Lagos, down whose central chain of aerodromes the craft of Imperial Airways roar to and fro, are coloured on the maps with the diverse hues of the colonizing Powers; and as often as not the colour is red. But those with eyes to see can glimpse beneath that coloured patchwork a uniform background, and its hue is black. The black man has been passive, silent and uncomplaining. He is stirring and heaving. If Asia is stretching her limbs, Africa is rubbing his eyes. ✓

II

We have dealt in the preceding sections of this chapter with the chief features of the internal economic developments in the self-governing Dominions of the Empire, but

¹ Native voters (of whom there are some in the Cape Province of the Union of South Africa) are not allowed to belong to the new Political Party. Early in December 1934 Mr. Fourie, Minister of Labour, announced that the Government would shortly introduce a Minimum Wage Bill. The purpose of this Bill was to reserve certain occupations to Europeans. For example, Mr. Fourie quoted General Hertzog (the Prime Minister) as saying that "natives lack the psychology to manage a dangerous machine like a motor-car."

as we pointed out in the opening chapter the crisis had a dual effect upon the Empire, for it not only caused each part of the Empire to consider ways and means of self-preservation, but it also brought about the beginnings of an attempt to create an Empire *bloc* in which the Dominions and the United Kingdom would find beneficial economic conditions. This attempt was inaugurated at Ottawa in 1932.

1. *The Ottawa Conference*

Ever since Great Britain had abandoned the mercantilist conception of a Colonial Empire she had steadfastly refused to modify her fiscal and commercial policy in favour of the Empire overseas. At the Colonial and Imperial Conferences held before the War, repeated attempts were made by the Dominions to secure a preference in the United Kingdom market. A section of opinion in the home country had advocated the forging of tariff bonds between the various parts of the Empire, but with the rout of the Tariff Reform Party in 1906 the question seemed to have been finally banished from the realm of practical politics.

It came to life again in 1923 when the Conservative Party, under the leadership of Mr. Stanley Baldwin, went to the country and asked for a mandate for tariffs, but the electoral defeat received on that occasion convinced most Conservatives that the sooner their party dropped the tariff plank, the sooner they would be back in office.

The advent of the economic crisis produced a complete reversal of this policy. Faced with the loss of a great quantity of trade and desirous of securing a larger share of the Dominion markets, the National Government of Great Britain, armed with the powers of the Import Duties Act (1932), took the initiative. When the economic section of the Imperial Conference of 1930 met for its second session at Ottawa on July 21st, 1932, it was for the express purpose of evolving a scheme of Dominion Preference.

The objects of the British delegation were twofold; to secure a larger share of the Dominion markets for British

manufactured goods, in exchange for a preference in the home market for certain Dominion products, and to effect this preference so far as possible without raising the level of Empire, including United Kingdom, tariffs against other countries. As Mr. Baldwin stated in his opening speech: "There are two ways in which increased preference can be given—either by lowering the barriers amongst ourselves or by raising them against others. The choice between these two must be governed largely by local considerations, but subject to that we should endeavour to follow the first rather than the second course. For . . . no nation or group of nations, however wealthy and populous, can maintain prosperity in a world where depression and impoverishment reign." Events were unfortunately to prove that "local considerations" were too strong for practical effect to be given to these admirable sentiments.

The main problem facing the delegates at Ottawa was that of increasing British imports of primary products from the Dominions, and Dominion imports of manufactured goods from Great Britain, without provoking an outcry from British agriculturalists on the one hand, and from Dominion industrialists on the other. In pre-War days, when the Dominions confined themselves almost exclusively to the production of food and raw materials, and Great Britain to that of manufactured articles, mutually beneficial arrangements would have been easier to negotiate. The growth of power production and the stimulus to industrialization given by the War had blurred these lines of demarcation. The Dominions had found that they could produce many manufactured articles themselves, and Great Britain had received a lesson as to the danger of allowing home agriculture to die of inanition.

During the Ottawa meetings the chief opposition to agreement came from the Dominion industrialists, especially the Canadians, who objected to the requests of their British rivals that there should be a substantial reduction of tariff barriers. The utmost they would concede was "to keep or reduce protective duties to a level which would give United Kingdom producers full opportunity of reasonable

competition on the basis of the relative costs of economical and efficient production, provided that special consideration might be given to the case of industries not fully established.”¹ A further concession was that British exporters should be allowed to state their case before the Dominion Tariff Boards, or other competent authority, prior to any drastic revision of tariffs. The net effect of the Ottawa Agreements was that a preference, varying in the case of each Dominion, was given to a range of British exports. In most cases this preference was secured by an increase in the tariff against other countries. In return for these rather limited concessions Great Britain undertook :

- (a) To continue free entry for all Empire products already admitted free.
- (b) To impose fresh duties on certain imports from foreign countries, such as wheat, maize, butter and cheese, canned, dried and some fresh fruits, copper, linseed and rice.
- (c) To regulate quantitatively foreign imports of chilled and frozen meat and subsequently bacon and ham.
- (d) To maintain existing preferences by retaining certain duties.
- (e) An undertaking to Canada to terminate any other engagements which conflicted with the Ottawa concessions.²

The effect of these provisions on the United Kingdom tariff level was that the proportion of foreign imports admitted free, which was 83 per cent. before the advent of the National Government, fell, as the result of the Ottawa Conference, from 30 per cent. to 25 per cent.

The agreements were to run for five years, an unusually long period for commercial agreements.

¹ See *Survey of International Affairs* for 1932, p. 30.

² This resulted in the cancellation of the Russian Agreement of 1930. When, after the termination of the 1933 trade war, a fresh Anglo-Russian Agreement was negotiated, it contained a clause expressly safeguarding the Ottawa undertakings.

2. Conclusion

At the end of *Our Own Times* it was still too early to assess with any degree of confidence the results of the Ottawa Conference. Moreover, its results must be considered from two points of view, the short and the long term. From the short-term point of view there was some reason to believe that the agreements concluded at Ottawa had been of greater immediate value to the Dominions than to the United Kingdom.¹ Canada and British India in particular both increased their exports to Great Britain during 1933 by substantial percentages relative to their 1931 exports.

On the other hand, whereas in 1931 the United Kingdom *imports* from Empire countries were 28·8 per cent. in value of her total imports and in 1933 36·9 per cent. in value, the figures for *exports* hardly moved from the 41·1 per cent. before Ottawa (1931) to the 41·8 per cent. (1933) after Ottawa.

The utmost caution is needed in any attempt to draw conclusions as to the short-term concrete results of Ottawa from the trade figures, for, as Sir George Schuster points out in his Memorandum, not only are the trade statistics often incomparable but, for example, though it is true that Canada sold more to the United Kingdom after Ottawa than before, it is impossible to be certain how much of this increase was due to the agreements and how much was due to the then prevailing chaos in the U.S.A., which was Canada's most important market.

Or, as another example, the figures show that United Kingdom *exports* to India rose after Ottawa as compared with the period immediately preceding the Conference. But the cautious investigator will here recall to mind that in the pre-Conference years the Indian Nationalists were conducting a by no means ineffective boycott against United Kingdom goods, whereas as we have seen in Chapter II the improvement in the political situation as between

¹ For an excellent analysis of the situation see *The Economist*, November 3rd, 1934, "Empire Trade Before and After Ottawa" (special Supplement)—a preliminary reconnaissance by Sir George Schuster.

India and the United Kingdom began to take place in 1933, and as that situation improved the boycott disappeared.

These warnings to wantons against prostituting their intellectual integrity by incontinently embracing statistics without taking due precautions may be supplemented by the following considerations: Supposing that in fact, as is indeed probable, the volume of inter-Imperial trade did increase as a result of Ottawa, can we be sure that this increase was not at the expense of the flow of trade between the Empire countries and "foreign" countries? We cannot. There is indeed a strong presumption that some of the increase of Empire trade took place at the expense of trade between Canada and the U.S.A. and perhaps at the expense of Anglo-German and Anglo-Russian trade.¹

Furthermore, the existence of an agreement intended to run for five years to some extent tied the hands of the British Government in its commercial negotiations with other countries. By linking Great Britain to a relatively high tariff system it made it impossible for her to adhere to low tariff groups, and the adoption of the principle of a "scientific" tariff (based on relative costs of production) is one which, if carried to its logical conclusion, destroys the entire *raison d'être* of international trade, for what point is there in buying anything from abroad unless it is to obtain goods relatively cheaper and better than they can be made at home?

What of the future?

The chief value to the Dominions of the United Kingdom market is its enormous capacity for absorbing raw materials, including food-stuffs. This market depends for its purchasing power on the maintenance of United Kingdom exports of manufactured and semi-manufactured goods, and these goods must be sold either in foreign or Dominion markets. If in foreign markets, something must be bought in return, and if in Dominion markets then the latter must set bounds to the extent to which they propose to build up industrial life behind tariff walls. Similarly, if the British manu-

¹ Though here again, political factors, *e.g.* the British embargo of 1933, must be taken into account.

facturer wishes to sell in the Dominions he must be prepared to press his Government to set bounds to the development of a protected United Kingdom agriculture.

At the close of *Our Own Times* it seemed probable that substantial modifications would be made in the Ottawa Agreements when they came to be re-examined in 1937. At the 1932 Conference, Dominion manufacturers fought for their privileged position, and during 1934 the United Kingdom exporter was often complaining that he was not being allowed a fair chance in the Dominion markets. There was even talk in 1934 of a boycott in Lancashire of Australian produce because of the high tariff in Australia on cotton goods. But to those complaints were added two others in 1934. Both were voices of protest from farmers. The United Kingdom farmers wanted restrictions on imports of Empire foods such as dairy products and meat. The Australian and New Zealand Governments vehemently opposed the suggestion that their farmers should be denied free access to the United Kingdom market, and it was openly suggested that such a policy would ultimately lead to a default on the Dominion loans held in the United Kingdom.

The emergence of the United Kingdom farmer as a factor of first importance in inter-Imperial relations was not the least strange of the curious and unexpected results of the world crisis. On strictly economic grounds there is no justification whatsoever for attempting to bind together into an economic unit the peoples and territories which own allegiance to the British Crown, but this is but half the story and ignores those important social, cultural and political considerations which were referred to on p. 77 of this volume. It is sometimes said that there are strategic reasons in favour of an Empire *bloc*. This is a very arguable point, and informed opinion in Great Britain has held conflicting views on this matter. For instance, in 1905 Lord Balfour of Burleigh's "Commission on Food Supplies in Time of War" reported that :

"We regard the present variety of sources from which our supplies are drawn as likely to contribute to our

advantage in time of war, since their wide geographical distribution must tend to minimize the risk of effective interference with our imports. . . . There is therefore a certain advantage to us in the fact that the supplies of our principal food-stuffs are drawn in a greater proportion from foreign countries than from British possessions."

Whereas in 1917 the D'Abernon Commission on the National resources, etc., of His Majesty's Dominions said :

"It is vital that the Empire should, as far as possible, be placed in a position which would enable it to resist any pressure which a foreign power could exercise in time of peace or war in virtue of a control of raw materials and commodities essential to its well-being."

You pay your money and take your choice. The fact is that the Ottawa Conference was an emergency, and in a sense a crisis, phenomenon. One of its resolutions will serve to illustrate the woolliness of a good deal of the thinking on that occasion. Here it is :

"This Conference regards the conclusion of these agreements as a step forward which should in the future lead to further progress in the same direction and which will utilize protective duties to ensure that the resources and industries of the Empire are developed on sound economic lines."

Nevertheless, these British improvisations have a habit of becoming mustard seeds which grow into great trees, and it is more than likely that Ottawa will have witnessed the sowing of such a seed, and that long after the agreements signed at Ottawa have been forgotten, the principle of inter-Imperial economic co-operation will be practised. But for this ideal to be realized it must be based on foundations more solid and more in keeping with the thoughts in Mr. Stanley Baldwin's mind during his opening speech, than were those which eventually supported the agreements.

Inter-Imperial co-operation, if it is to endure and if it is to be of ultimate benefit to humanity, must be based on the principle of international specialization within the Empire.

It must be the business of the Imperial peoples to show the world that in economics, as in politics, a common belief in the principles of freedom and democratic government can create a framework within which states can ignore the artificialities of frontiers and harness their sovereignties to a common purpose.

The three objectives of the Empire Economic should be : Greater freedom of inter-Imperial trade ; expansion of markets ; specialization of production. There is, for example, no sound economic reason why there should be competition between a large range of high-class United Kingdom agricultural products and the cheaper Dominion farm products.

The standard of living of the masses in the United Kingdom is still deplorably low from the point of the consumption of meat, vegetables and butter,¹ and an improved standard of living in the United Kingdom would shift a considerable proportion of the population into the stratum of those who could afford the more expensive home products. The policy of restriction—though perhaps justifiable on occasion as an emergency measure—is fatal as a long-term policy. If emigration is to be resumed from the United Kingdom to the Dominions, and if the Empire is to continue to be a fruitful field for British investment, the Dominions must be encouraged to expand their economic activities.

The question of inter-Imperial investment is a large subject, which we have no space to analyze beyond remarking that in the Times to Come it is likely that international investment will be conditioned by political considerations to a far greater extent than was the case—at any rate with British investments—during the nineteenth century. An “Empire Economic” of an expanding nature and designed to press and persuade the world back to Freer Trade should provide promising opportunity for productive and secure investment. In this connection a significant event at the end of Our Own Times was the establishment of a chain of Empire

¹ The amount of butter retained in the United Kingdom for home consumption owing to the fall in price, rose from 13·69 lb. per head in 1925 to 18·74 in 1931 (*World Economic Survey*, 1933-34, p. 66).

Central Banks.¹ The Commonwealth Bank in Australia began to operate as a Central Bank in 1932; the Reserve of India was established in 1934; the New Zealand and Canadian Central Banks were set up in 1934. The South African Bank dates from 1921. In certain quarters in the Dominions, notably in Canada, there was some suspicion that this innovation foreshadowed an attempt on the part of the Bank of England and the Treasury to substitute financial control for the political suzerainty abandoned by Great Britain in the Statute of Westminster.² The first concern of these Dominion Central Banks was to organize and control their domestic credit policy, but the system clearly opened up prospects of closer co-ordination of the financial policies of the sovereign states in the Empire.

It has been suggested above that there exists a basis for Imperial economic co-operation, and that this basis must conform to a principle which we will call "non-aggression." If Imperial economic co-operation is to be of a belligerent nature *vis-à-vis* the rest of the world, it will do no good either to the Empire or to mankind. It will do no good to the Empire because it will be out of harmony with those basic principles of justice, freedom, and self-government, elimination of violence, and respect for law and rights of others, which, so long as they are respected in the Empire, justify the existence of that great political experiment. The Empire is an ethical conception, and if its ethics are subordinated to its economics its doom is sealed, and it will go down to history as one more example of a vain attempt on the part of man to solve the key problem of Man and Himself which we set forth as fundamental in the Introduction to this study. But we are optimists in this matter, and being practical as well as hopeful we must consider the question of the machinery needed for Empire economic co-operation.³ Here we are face to face with the same

¹ It is understood that this idea was first conceived by Mr. Montague Norman soon after the War. Mr. Norman was elected Governor of the Bank of England for the fifteenth year in succession in 1934.

² "Empire is Debt." See H. N. Brailsford, *Property or Peace*.

³ See *Consultation and Co-operation in the British Commonwealth*, compiled by Gerald Palmer, Oxford University Press, 1934, for an account of existing machinery.

problem which we mentioned on p. 76. The Dominions are jealous of their newly-acquired sovereignty, and this natural pride in a recent acquisition must be taken into account and will delay the establishment of better machinery for economic co-operation. But it will come, and it can only come safely if the Dominions take the initiative. It is also not unlikely that, as in the case of political co-operation within the Empire, this economic co-operation will be connected in some way or other with the development of corresponding machinery for world co-operation at Geneva.

CHAPTER IV

FRANCE (1931-34)

“Plus cela change, plus c’est la même chose.”

THE policy of France during the closing years of Our Own Times was directed towards exactly the same purpose as that which had been its object ever since the conclusion of the *Entente Cordiale*—the security of France. In a sense it is no doubt true that the internal and external policies of all states are bound up with the general question of security for their nationals, but in the case of France the issues are generally presented to the world with a precision and clarity lacking in other cases. During the post-War period it seemed to Frenchmen that their national security could be ensured in one of two ways. Either by establishing on the Continent of Europe a military and financial supremacy which would underwrite the terms of the Treaty of Versailles, or by a collective system of security in which the treaty-breaker and the aggressor would feel the full weight of the active disapproval of the civilized world. This was not the view held in Great Britain, or for that matter in the U.S.A.

In Great Britain public opinion refused to admit that a clear-cut choice was necessary. To an Englishman life is one long compromise, and during the latter part of the post-War period successive British Governments struggled to find a compromise between the “pre-War” maxim of “Who wants peace must prepare for war”, and the “post-War” ideal of a world in which the only conceivable kind of war should be a League war waged against an aggressor.

The people of Great Britain, up to the beginning of 1935, were opposed to extending their European commitments beyond the point reached at Locarno, a place

which, as they regretfully observed, the Dominions had refused as a rendezvous and camping-ground for Imperial foreign policy. The Geneva Protocol,¹ which so clearly set forth the French thesis and endeavoured to crystallize it into a binding document, was nonsense to most Englishmen, who were very suspicious of giving Continental Powers blank cheques on the resources of Great Britain. Better no cheque at all than one which might be dishonoured in a crisis.

By 1931 it was becoming apparent that the deadweight of the world economic crisis would stifle whatever chances there might ever have been of a quick success on the political side of the problem of bringing about international co-operation between the sovereign states.

In May 1931 Aristide Briand, who had been in most of the French Cabinets since 1908, stood unsuccessfully for the Presidency of the French Republic. His defeat was considered in some quarters to be a sign that those policies of conciliation with Germany for which he had consistently worked were no longer acceptable to the French Republic. Briand was a Locarno man, and it was his hand which had stretched across the League Council Table to grasp that of Stresemann. With Briand's death in 1932 both men had passed away, and the policies they had stood for went into eclipse.

The disappearance of Briand coincided with the close of a period of four years (1928-32), during which France was ruled by Cabinets deriving their support from the centre and right elements in the Chamber. These Cabinets, of whom no less than ten flickered across the screen of the cinema of French politics, replaced the famous Government of "L'Union Sacré" which, under Poincaré, had stabilized the franc at one-fifth of its former parity and then collapsed when the Socialists seceded in November 1928.

In home affairs the Cabinets of the 1928-32 period were concerned with the task of endeavouring to protect and isolate France from the growing pressure of the world crisis. During 1927-28 France pursued a trade policy

¹ See Vol. I, Chapter XIII, pp. 270 *et seq.*

of a Liberal tendency ; but in 1929 this was reversed, and by 1932 there existed a 15 per cent. surtax on goods coming from countries with depreciated currencies, and a series of quota restrictions on one-fifth of the goods represented in the tariff schedule.

Some attempt was made to counteract the effects which the crisis and this isolationist policy had on the standard of living, by introducing various social reforms such as a National Insurance Law providing for old age and sickness (July 1930), and by increasing the pensions of War veterans and the salaries of judges and army officers.

During this period the foreign policy of France was in the main under the influence of Briand, but as his influence waned and Nazi forces in Germany gathered strength at the expense of Brüning, France found it more and more difficult to pursue a policy of conciliation with the Second Reich.

The elections in May 1932 resulted in considerable gains for the Left-wing parties, who improved their position by 100 seats. These elections were largely fought on the issue of foreign policy, and the success of the parties of the Left showed that a substantial body of opinion in France still believed that the best way to achieve French security was to revert to the Briand policy, and so strengthen the hands of the anti-Nazi forces in Germany.

As a result of these elections France was ruled from June 1932 until February 1934 by six Cabinets of the Radical-Socialists supported by the Left-centre groups and on occasion by the Socialists, a series of combinations and permutations known as the Cartel des Gauches. All the Cabinets of this series were, like the first two Labour Governments in Great Britain, in office, but not in power. As the Nazi Movement gained strength in Germany the new Governments were successively obliged to abandon all hopes of finding a common basis with the Nazis, and all parties—including the Communists—were united in their opposition to and detestation of the Nazi régime. It was generally agreed at this time that the French displayed great sang-froid and calmness in face of startling develop-

ments in Germany which might have goaded France into a preventive war before Germany grew strong enough to tear up the last paragraphs of the Treaty of Versailles.

Although the Governments of the Cartel des Gauches were able to secure general support for their foreign policy, their position was steadily being undermined by the economic difficulties of the country. It was a paradoxical fact that although—as we pointed out at the end of Volume I—the financial strength of France during the latter half of 1931 was apparently greater than that of any other country, yet in 1932 one Cabinet succeeded another as a result of fruitless attempts to find ways and means of balancing the budget which would be acceptable to a majority in the Chamber. Let us look back for a moment.

In 1931 it was to France that Brüning and the harassed Dr. Luther of the Reichsbank had vainly knelt for credits, the price of the credits being political concessions which no German Government could give. In 1931 it was to France that the magnates of the City of London and the British Treasury had applied for credits in their efforts to keep the £ on gold.

No sooner had the gold £ collapsed than the gold dollar began to feel the strain, and within a month over \$300 million worth of gold was drained from the U.S.A. to France.

In October 1931 M. Laval, French Prime Minister, paid a visit to Washington in order to confer with Mr. Hoover. We deal in Chapter XI with the results of this expedition, and here we need only say that the Americans were obliged to make concessions to France in order to persuade her not to remove her large short-term balances from New York and thus still further embarrass the hard-pressed dollar. The concessions made by America were an undertaking not to upset French policy by suddenly producing any further "Hoover Moratoria",¹ and a grudging admission that—as the French had consistently maintained—there *was* a connection between war debts and reparations. At the end of 1931 two financial scalps adorned the portals of the

¹ See Vol. I, Chapter XIX. p. 405.

Bank of France ; one had been taken in London, the other in New York. Enthroned on a mountain of gold¹ the French seemed invulnerable and supreme in a world in which the £ was depreciated and the dollar on the wobble.

Yet in reality the situation of France was perilous, for the advent of the crisis and the consequent growth of economic nationalism had destroyed that international world in which France might have been able to obtain advantage from her financial strength. France was faced with a world crisis the existence of which she could not ignore, but whose inevitable consequences she would not recognize. The policy by which she tried to evade the crisis can best be considered under two heads :

- (1) A rigid adherence to the "cold comforts of the International gold standard."²
- (2) An attempt to be commercially self-sufficient.³

As regards the gold standard it is in part true to say that her determination to keep the franc on gold was influenced in large measure by the practical difficulties of the opposite policy. The French public had experienced the disasters of one inflation and a subsequent devaluation, and were in no mood to stand any further experiments with the currency. It has been estimated⁴ that at the beginning of 1934 the French public was hoarding 40,000 million of francs, and this meant that there were 40,000 million reasons for not devaluing.

Nevertheless the adherence of France to the gold standard played the devil with her export trade in a world in which during the period 1931-32, nations left the gold standard as leaves fall in the autumn.

¹ At the end of 1931 the French gold reserve was estimated to amount to 29 per cent. of the world's stock of monetary gold, and her note issue was covered in gold up to 60 per cent., as against a legal minimum of 35 per cent. At the end of 1932 the gold cover on sight engagements had risen to 77·7 per cent. This figure had risen to 80·97 per cent. on December 14th, 1934, and was the highest ever recorded in France.

² See *Survey of International Affairs*, 1933.

³ Including a rather half-hearted attempt to make an economic unit out of the French Colonial Empire.

⁴ See *Financial News*, February 26th, 1934.

The following figures indicate what was happening to the French balance of payments. During the period immediately preceding Poincaré's stabilization of the franc at a fifth of its old value, France enjoyed the unusual experience of a "favourable" balance of visible trade. At the end of the year 1928 the adverse balance of visible trade was 2.1 milliards¹ of francs. In 1931 that figure was 11.7 milliard francs, and despite drastic reductions of imports it was as high as 10 milliard francs at the end of 1933.²

A major factor in causing this loss of trade was the gold franc which made French exports very expensive in terms of the depreciated £ and \$, although the effects of the general restrictions of trade which were being applied all over the world must also be taken into account.

As part of her policy of isolating herself from the world crisis and preparing for a prolonged economic siege, France busied herself during 1932 in repatriating her foreign balances and collecting them in gold.³

Side by side with the policy of keeping the franc on gold was that of national self-sufficiency, a policy which France, in common with other nations, had in part selected and in part been obliged to adopt by the course of events. One example must suffice to show what this policy meant. Foreign wheat and flour were practically excluded, but the benefits of increased home-grown supplies were not enjoyed by the consumer, since the price was fixed in the interests of the agriculturalist. A couple of bumper harvests (1932-33) caused the French Government considerable embarrassment because the farmers surreptitiously sold wheat below the market price in order to get rid of their surplus. The Government found themselves obliged—in 1934—to subsidize the export of French wheat, and applied

¹ A milliard is here taken to be a thousand million.

² Imports declined from 58 milliard francs in 1929 to 28 milliard francs in 1933, and exports from 50 milliard francs in 1929 to 18 milliard francs in 1933. A similar story is revealed in the matter of invisible exports. Between 1929-32 tourist expenditure in France declined from 8½ milliard francs to 3 milliards; shipping profits from 3 milliards to 300 million, and interests on overseas investments from 5 milliards to 1½ milliards.

³ In January 1930 the Bank of France had 25,774 milliard francs abroad; in January 1932 this figure was 10,589 milliards; in December it had fallen to 4449 milliards.

to the International Wheat Advisory Committee for a larger export quota than that granted to the U.S.A. When it is realized that quite apart from the claims of the overseas wheat producers such as Canada and the Argentine, the French department of Algeria and the colony of Morocco are admirably suited for wheat production, the economic absurdities of the spectacle of France "dumping" wheat are manifest.

The sacrifices which had to be made to keep the franc on gold and the decline of trade, which has been noted above, had serious effects upon the budgetary position. Throughout the post-War period it had always been very difficult to summarize with accuracy the French budgetary position. Not only were there at various times "ordinary" and "extraordinary" budgets, not only had France—like most Continental countries—indulged in the habit of mixing up various items and thus partly concealing expenditure for defence purposes,¹ but even as late as 1932 the revenue side of the French budget was reinforced by such dubious assets as "estimated receipts from German reparations amounting to 1173 million francs." That year the budget also included a number of non-recurrent items on the revenue side.

It is estimated (the figure is given with reserve) that the first Government of the Cartel des Gauches in 1932 was faced with a deficit of between 2500 and 3000 million francs. By the end of that year, when, as a result of the Lausanne Conference, German reparations had ceased and France had decided not to pay her War debts to the U.S.A., the cumulative deficit in 1933 was estimated at between 10,000 and 15,000 million francs. This growing deficit was met by short-term Treasury borrowing, and a ceaseless wrangle proceeded as successive Cabinets tried to find ways and means of balancing the budget. All parties were agreed that cuts could not be made in the expenditure for national defence; the agriculturalist—of great political importance

¹ It should be noted here that with the progressive increase of state intervention into economic life the United Kingdom budget does not include many items of Government expenditure and can no longer (1934) be regarded as a complete picture of the national financial situation.

in France—demanded and received subsidies, as did some industries, including shipping; the powerful and numerous Civil Service—*les fonctionnaires*—successfully resisted efforts to cut their salaries, on the ground that the cost of living was rising. At the end of 1933 the Chautemps Ministry, which was the fifth Left-centre Cabinet since June 1932, managed to get a Budgetary Reform Measure through the Chamber, but on the same day rumours started in connection with a peculiarly unsavoury scandal—the Stavisky case. The Government fell and was succeeded by the Daladier Cabinet. The Stavisky scandal grew in dimensions and the French mob went down into the streets of Paris in February 1934 and made violent demonstrations against the Government. Fire was opened on an unarmed contingent of ex-Service men, and blood was shed. The Government fell and for twenty-four hours France was closer to revolution and civil war than she had been since the days of the Commune in 1871.

Fortunately for Europe the innate democratic sense of the French people held firm and a National Government, under the veteran statesman “Papa” Doumergue, came into power. The Cabinet contained no less than eleven ex-Cabinet Ministers.

The National Government had received a mandate to do three things :

- (a) To restore confidence in Parliamentary government.
- (b) To investigate with pitiless impartiality the Stavisky scandal.
- (c) To balance the Budget.

The true significance of this mandate lies in the manner in which it was given, that is to say, in the riots of February 6th, 1934. Paris—and in this matter Paris spoke for France—was disgusted with the years of Cabinet instability and a Parliamentary system whose rottenness was being revealed through the bribes and corruptions coming to light in the Stavisky case. The Stavisky scandal was the spark which touched off the magazine of public discontent with the inability of the French Governments to grapple with crisis conditions.

The chronic inability of French Cabinets to govern had led to the formation of a number of extra-parliamentary organizations such as the *Ligue d'Action Française* (60,000), the *Jeunesse Patriote* (340,000), the *Solidarité Française* (250,000), the *Croix de Feu* (50,000) and the *Union Nationale de Combattants* (870,000). All these organizations were "right" in their tendencies and, to a greater or lesser extent, Fascist in their methods. The most highly organized and potentially dangerous from the point of view of Parliamentary government was the *Croix de Feu*.

Before passing to the achievements of the French National Government some account must be given of the reasons which contributed to the ineffectiveness of the French Parliamentary system in time of crisis. The sixty-five years of life of the Third Republic of France had witnessed ninety-five governments in office. An elaborate system of checks and balances designed to protect individual liberty by a division of power between the Legislature, the Executive and the Judiciary had resulted in a seizing up of the machinery of government. The Legislature had been too powerful for the Executive. The Prime Minister and his Ministry had been the only flexible factor in an otherwise rigid system, and often the Cabinet found itself at the mercy of various opposition groups whose members knew that the overthrow of the Cabinet would not involve a general election and possible loss of seats.¹ On the contrary, a Cabinet in dissolution might mean that some of those who had sabotaged the Government would get Cabinet office in the re-shuffle. Another defect in the French system was the immense number of small groups and parties in the Chamber, a reflection perhaps of the logical tendency of the French mind, but a factor which meant that each Government usually had to be supported on many small and shifting pillars instead of the one large, or perhaps two, solid columns which support an administration in Great Britain. Finally, the individual deputy wielded

¹ Only once in the history of the Third Republic has the President been advised by the Senate to dissolve the Chamber before the end of its prescribed life of four years.

great powers of patronage, and as Article 3 of the Constitution permitted any deputy to initiate expenditure, much Parliamentary time was wasted and the Executive was continually harassed by a stream of interpellations and irresponsible proposals. These in broad outline were some of the chief reasons why the French Parliamentary system failed to give Frenchmen the strong government they felt they needed when the world was in crisis, when Germany was rapidly rearming, and when the Treaty of Versailles, that charter of French security, was rotting, yellowing and ageing in the archives of history.

It has been well said of the Government of Imperial China that the "general strike" which the Chinese masses used to employ as their last resort against tyranny was the Chinese equivalent to the Western franchise, inasmuch as by the use of this weapon the Chinese could and did drive Viceroy into positions from which the only escape was by way of the silken bow-string from Peking. It can be similarly argued that the only way in which the French could achieve a fundamental change of Government, unless the need for the change happened fortuitously to coincide with one of the four-yearly general elections, was by "La Rue" (street fighting).

We remarked in Volume I that one of the principal immediate causes of the departure of Great Britain from the gold standard was the Naval Mutiny at Invergordon, and that desirable though it may have been that the £ should leave gold at that time, there were better ways of changing one's financial policies than as a result of insubordination in the fighting services. Of France in 1934 it could also be said that financial scandals and street fighting were clumsy methods of achieving constitutional reform.

It would be premature as yet to attempt to assess the permanent effects on French constitutional development of the events of the "February Days," but the course of events was briefly as follows:

In November 1934 the veteran Doumergue produced his programme of reform. In summary he demanded that 25 per cent. of the next budget should be voted in

advance so as to give him freedom with which to tackle the vital question of constitutional reform. In this all-important matter he insisted that :

- (a) The Prime Minister should have the right to ask the President to dissolve Parliament without the assent of the Senate.
- (b) There should be a limitation of the private members' right to initiate proposals for Government expenditure.
- (c) The Civil Service should be disciplined in the direction of curbing the political power of the *fonctionnaires*.
- (d) A Cabinet secretariat on the British model should be established.

These reforms accomplished, he proposed that there should be a dissolution, after which a new Chamber could deal with the 1935 Budget and the whole question of a national plan for economic reconstruction.

These bold, courageous and far-reaching proposals, which laid an axe at the root of a jungle of vested interests and privileged positions, aroused a storm of protest, and the Socialists and Radical-Socialists in the Cabinet of the Doumergue National Government declared that they amounted to something resembling a dictatorship. They left the Cabinet and the Doumergue Government fell. For a tense twenty-four hours the world watched Paris with great anxiety, for it seemed as if the situation was back to that of February 1934, and that this time the Parliamentary system which had apparently failed again would not be given a second chance. But though M. Doumergue retired to the country estate from which he had reluctantly come to Paris to save France for democracy, and democracy for France, M. Flandin quickly managed to form a new Cabinet on a national basis.

The difference between M. Flandin's and M. Doumergue's programme was that the former adopted the less controversial parts of Doumergue's plan. M. Flandin in effect issued a warning to the recalcitrant deputies that if they wished to avoid the hated medicine of radical reforms of the Constitution they had better give the French public a practical

demonstration of the fact that the existing Parliamentary system could be made to work. The chastened deputies immediately responded to this appeal by voluntarily voting for a restriction of the private members' right to initiate expenditure, and by supporting the Government in its measures for balancing the budget. It seemed possible that as world conditions became more normal, less and less would be heard of the need of constitutional reform in France, although a Cabinet secretariat and a tighter control over the political activities of Civil Servants seemed probable and permanent results of the French replica in 1934 of the internal political crisis which reached its climax in Great Britain in September 1931, in Australia in November 1931, in the U.S.A. in March 1933, in Austria in July 1934, and in Germany in January 1933.

These internal crises, fruits of the impact of the world crisis on the internal political and economic apparatus of each state, took place at varying times in various parts of the world. They were like a high tide which runs round the seas of the world as it revolves on its axis, and the oceans are brought successively under the joint pulls of the moon and the sun. It was one of the chief difficulties in the way of world recovery that in point of time the high tide of crisis, or low tide of depression, was never coincident all over the world. As one national state was in full crisis, another would be only half-way into crisis, and a third would be half-way out. The psychological conditions for co-operation between three such states were thus non-existent, for the state half-way into depression would be acting to avoid being dragged forward to the level of the crisis-state, whilst the state half-way out was equally anxious to avoid being dragged backwards into the pit.

It was difficult at the end of 1934 to assess the position of France. Politically it seemed possible that she was on the up-grade, but economically there was doubt as to whether she could stay on the gold standard, and this in its turn largely depended upon the course of events in the U.S.A. If the gold value of the American dollar was further reduced, then the British £, which at the end of 1934 was floating

in a more or less stabilized position between the dollar and the franc, might have to follow the dollar, and in that case the deflationary measures which would be needed in France in order to keep the franc on gold might well prove too much for the French people.

On the whole it seemed that it was probably to the interests of the world that the French franc should stay on gold. At the end of 1934—always remembering the uncertainties of U.S.A. monetary policy—there were signs that *de facto* stabilization of international exchange values was taking place. If the franc left gold, a further uncertainty, and perhaps an “exchange war,” would afflict the international economic system in an early stage of its convalescence. It seemed likely that sooner or later the principal currencies would have to be tied together in some form of international gold standard, and the question debated by the experts was whether that event was likely to be expedited if France could remain on gold and act as central rallying point or axle of a new gold standard system, or whether the quickest route to a new system was via the collapse of the gold *bloc*, thus making all the nations “miserable sinners together” and so preparing the way for a general repentance at the altar of the Bank for International Settlements.

The question of whether France could remain on the gold standard was one of immediate interest at the end of Our Own Times, but it was of secondary importance as compared with that of the future course of Franco-German relations. In 1934 as in 1913 this matter was the crucial factor in the problem of organizing European peace, but as mentioned elsewhere the opening weeks of 1935 witnessed a surprising and rapid conclusion of the Franco-Italian feud which went back to 1881. M. Laval and Signor Mussolini signed a Pact which seemed to open up considerable possibilities in the direction of strengthening the system of collective security and so giving France that feeling of confidence in the future which she so urgently needed.

More important even than this event were the highly successful Anglo-French conversations held in London in February 1935, which are further discussed in Chapter XIII.

CHAPTER V

ITALY (1931-34)

"We are not afraid of words."—MUSSOLINI, August 1934.

WE have already described¹ the circumstances which led to the establishment in Italy of the Fascist dictatorship, and we left the Italian scene at a time when the position of Mussolini seemed to be impregnable and no signs of significant opposition to the new régime were visible to the foreign observer. Granted that the Fascists were by 1930 as thoroughly in control of Italy as were the Communists of Russia, two interesting questions arose. Firstly, what would be the foreign policy of the Fascist State? Secondly, how would it deal with Italy's internal problems? In the case of Russia, the answer to the first question had been that the Communists had started by defending themselves against capitalist attacks with one hand, whilst propagating the doctrines of the Third International with the other. Then when the capitalist attack had been beaten off, the internal problems of Russia had become so urgent and vast that all energies were concentrated on the first and second Five-Year Plans. Finally, at the end of Our Own Times, when the internal affairs of Russia were tolerably in order and the industrialization programme more or less successfully launched, the Communists returned to international politics, but—*mirabile dictu*—as co-operators with the capitalist Powers in support of the League system of collective security.

The foreign policy of the Fascist State likewise fluctuated from right to left and back again according to the world situation in general and the Italian economic situation in particular. We have dealt in detail elsewhere² with some of the specific items of Italian foreign policy during the

¹ Vol. I, Chapter VII.

² See Chapter XIII.

closing years of *Our Own Times*, but we shall indicate in this chapter the underlying purpose of this foreign policy because it was closely bound up with the domestic status of Fascism. The promise which Fascism made to the Italian people was that its discipline would make Italy a Great Power and lever her over the intangible but very real barriers which from the middle of the nineteenth century up to and including the Treaty of Versailles had kept her outside the charmed circle of European Great Powers in which Great Britain, France and Germany assumed their positions as of Divine Right. To the modern Italians the glories of ancient Rome were presented as a heritage which was lying unclaimed by its natural heirs. For fifty years Italy had been a "near" Great Power and this situation had caused an inferiority complex to arise which it was the business of Fascism to eradicate. The military defeats in Abyssinia in 1896 and at Caporetto in October 1917, the diplomatic defeats in Tunis¹ in 1881 and at Versailles in 1919, both deepened the Italian sense of national inferiority and created conditions psychologically favourable to the rise of Fascism.

During the early years of the Fascist régime, whilst it was still consolidating its position in the country, Mussolini on several occasions adopted a somewhat truculent and nationalistic attitude,² but from about 1925-26 Italy began to pursue a policy of support of the League. The reason for this change of demeanour was that the ratification of the Locarno Agreements and Germany's entry into the League seemed to show that the best short cut to the status of "Great Power" lay through Geneva. When, through the defection of Germany and Japan and the failure of the Disarmament Conference, it appeared that the League system was in collapse and might be replaced by a revival of the Balance of Power, Italian foreign policy swung back to Nationalism, and it looked as if Mussolini was then of the opinion that Italy's gnawing and frustrated ambitions for prestige could best be satisfied by her assuming

¹ The French seized Tunis from under the nose of the Italians.

² See Vol. I, Chap. X.

the role of leader in the move for the revision of the Peace Treaties.

Throughout the period under review Mussolini periodically delivered himself of bellicose speeches calculated to keep alive the notion that Fascism was moulding the Italians into a nation of heroic proportions. He said: "I absolutely disbelieve in perpetual peace. It is detrimental and negative to the fundamental virtues of man, which only by means of a struggle reveal themselves in the light of the sun" (June 1st, 1934). And again in a speech at the army manoeuvres of August 1934 he remarked: "We are becoming and shall become so increasingly because this is our desire—a military nation. A militaristic nation, I will add, since we are not afraid of words . . . the whole life of the nation, political, economic and spiritual, must be systematically directed towards our military requirements. War has been described as the Court of Appeal between nations." By the law of September 1934¹ all Italians from the age of eight were soldiers, and they were not allowed to take school and university examinations unless they had passed through a military course of instruction. Incidentally, the instruction provided includes such picturesque exaggerations as the dogma that "the function of Italy in the World War was a decisive one." The *Corriere della Sera's* commentary on the law of September 1934 observed that "Any separation between military and civil life is now abolished."

At the end of Our Own Times it was impossible to feel that Italy had achieved her ambition of becoming a 100 per cent. Great Power. This was unfortunate, for it created the danger that in an endeavour to convince both the world and themselves that Fascism had succeeded in thrusting "greatness" upon modern Italians, Mussolini might be obliged to undertake some vigorous action dangerous to the peace of the world.² We have used the word "obliged" because we believe that Mussolini is a realist and is well

¹ See *The Times*, September 19th, 1934.

² For instance, in February 1935 there were signs that Abyssinia was an area in which the Italian army might be called upon to display its "fundamental virtues."

aware that a decade of regimentation does not produce fundamental changes in the national character. In fact the very success of the Fascist revolution by eliminating criticism and intellectual independence from the Italian scene tended to kill those qualities in the individual which in the aggregate make up "national greatness." The docility of the Italians, whilst on the one hand necessary to the doctrine which insisted that the interests of the citizen must be subordinated in every way to those of that mythological conception known as "The State," on the other hand seemed to be causing some anxiety to the Fascist chiefs in 1934. Senator Corbino—a leading Fascist—speaking in January 1934 said:

"The Italians, persuaded more and more every day of the exceptional qualities of their chief, inclined as they are to that tendency to avoid fatigue which is partly the fruit of our splendid sky, begin to grow every day more and more accustomed to throwing off the duty of overcoming by themselves the difficulties which they meet in their economic life, finding it more simple and more convenient to turn to Signor Mussolini. . . . Let me deplore the spread of such a habit . . . the fact that their chief becomes every day bigger should not authorize the Italians to make themselves every day smaller."

A few months later Mussolini, after making some complimentary remarks about the English character and its strength in time of crisis, observed: "It will be the task of Fascism to furnish the brains of Italians a little less sumptuously in order to develop their character a little bit more."

It cannot be denied that Italy's unsatisfied hunger for prestige was one of the potential dangers of the international situation at the end of *Our Own Times*, although if the harsh truth be told—for like Mussolini we must not be afraid of words—it was doubtful, in the event of Mussolini being unwise enough to measure the strength of his country against that of one of the real Great Powers, whether the Italy of 1934 was capable of standing the strain of a modern war. The economic state of the country was

not sound, and the extent to which the Fascist régime had fitted the people psychologically or materially for the duties and responsibilities of a Great Power was doubtful. We must examine the economic question more closely. The internal development of the Fascist State was greatly influenced by the world economic crisis, which began to press upon Italy soon after the Fascist régime had consolidated its position. Logically there were two possible policies open to states as they felt the icy hand of depression at their throats. One was deflation—to save one's way out of depression; the other was inflation—to spend one's way to salvation. The difference between these two methods was fundamentally a difference of attitude towards debt and the sanctity of money contracts. The inflationary path pointed towards repudiation and default; the deflationary way forced down wages and costs and, so far as possible, left debt untouched.

In practice different countries combined the two policies in varying proportions. Great Britain, the U.S.A., Australia, Germany, Sweden and Switzerland¹ were states which by 1934 were to varying extents on the inflationary side of the dividing line. France, Holland, Belgium and Italy were, broadly speaking, in the opposite camp.

From about 1928-29 onwards Italy pursued a deflationary policy of forcing down wages and costs. The necessity for this policy was forced on her from the moment she stabilized the lira on gold in December 1927 at a value perhaps 25 per cent. above its correct gold value, having regard to the relationship between Italian and world prices. As world prices continued to fall, the pound, the dollar and the yen left gold, and the pressure on the lira was still further increased. To combat this the Fascist Government, to whom the maintenance of the gold exchange value of the lira was a matter of prestige, issued decrees arbitrarily reducing wages, salaries, rents and rates of interest by amounts varying from 10 per cent. to 40 per cent., the estimated saving on salaries being 500 million lire. The social distress which ensued obliged the state to embark upon a large-scale programme of public works.

¹ Switzerland changed over the trend of her policy as late as December 1934.

This involved the import of raw materials and a progressive deterioration in the balance of trade, as well as budget deficits. In 1932 and 1933 the adverse balance of trade was about 1500 million lire. For 1934 it was about 2400 million lire. At the same time there was a heavy fall in the "invisible balance," composed of profits from shipping, tourist receipts and remittances from emigrants, which was normally of considerable size. The deficit in the balance of payments on foreign account had to be met by the export of gold, and whereas on December 1st, 1933, the gold reserves of the Bank of Italy stood at 7397 million lire, by December 7th, 1934, they were down to 5867 million lire, a sum only just sufficient to give legal cover to the note issue.

On December 8th, 1934, the Government issued a decree providing for complete control over all foreign exchange transactions.

Unemployment figures ¹ varied as follows :

December 1931	.	.	982,000
December 1933	.	.	1,132,000
December 1934	.	.	961,705

On the credit side of the Italian economic balance-sheet must be recorded the fact that on February 5th the Government successfully launched a great conversion scheme by which 61,392 million lire of public debt (approximately £1070 million) was converted from 5 per cent. to 3½ per cent. This scheme, the largest debt conversion after the British scheme of 1932, effected a saving of 915 million lire in the debt service.

We have outlined the economic situation in Italy at this stage in our analysis because it is against this economic background that one must examine the development of the Corporative State during the closing years of *Our Own Times*. In a speech in November 1933, in which Mussolini reviewed the economic and political significance of

¹ According to *The Economist* (November 17th, 1934) only about 25 per cent. of these unemployed were in receipt of state assistance. But see a letter of protest from the Fascist propagandist, Luigi Villari, in *The Economist*, December 22nd, 1934, and *The Economist's* counter-attack in its issue of January 5th, 1935.

the Corporative State, he declared that "The economic crisis is a crisis OF the private capitalistic system, not IN it." He said that the Capitalist system had had its day and that it had ceased to be merely an economic system. It had become a widespread social problem under whose baleful influence men were "standardized from the cradle to the grave: a diabolical thing!" He claimed that the Fascist Corporative State idea lay midway between the two evils of *Communism*, involving the entire suppression of the individual, and *Liberalism*, with the subordination of the public weal to private profit.

Up to the present it would appear that the Corporative State is a species of State Capitalism conducted in the interests of the capitalist classes, and there would seem to be some parallel between the relationships of the German industrialists to the Nazi Party and those of similar groups in Italy to the Fascists. In a deflationary period such as prevailed in Italy from 1924-34, the greatest pressure falls on Labour, and in a "free" country such a period is marked by strikes and lock-outs. In Italy strikes and lock-outs were illegal, but since the state had forced down wages by decree, the harmony on the labour-capital front was purchased at the cost of the workers' standard of life.

The evolutionary development of the mechanism of the Corporative State was very cautious and slow, and in this there was proof of the realistic core which seemed to lie at the heart of Signor Mussolini's theatricalisms.

As mentioned in Vol. I,¹ the Council of Corporations was created on March 20th, 1930, and it was generally understood that this body would eventually supersede the Chamber of Deputies. But this creation remained *in vacuo* and, as was remarked, the scheme "resembled the photograph of an infant that has not been born: the ribbons and lace were there, but the child's face remained invisible."²

In 1934 the Chamber of Deputies—"this institution that belongs to a phase of history now left behind"—seemed doomed, since a plebiscite was held on the issue as to whether or not the National Council of Corporations was to be

¹ Chapter VII, p. 172.

² *The Times*, March 27th, 1934.

substituted for the Chamber. But the fact that the plebiscite was also for the purpose of giving the electorate the opportunity of expressing their approval of the official list of members for the new Chamber, suggested that the Chamber still had its uses as a stage property in the Fascist scene.

At the plebiscite 96 per cent. of the electorate went to the polls, and Signor Mussolini received the satisfactory report that 10 million votes had been cast for the Fascist list, whereas only 16,000 had voted against it. Of the abolition of the Chamber, nothing more was heard.

During the summer of 1934 there appears to have been debate as to whether the corporations should be organized in groups horizontally or in vertical trusts, the latter scheme being finally adopted. On November 10th, 1934, Mussolini formally installed the 823 persons chosen as members of the 22 corporations. The set-up was as follows: Representatives of employers and employed in equal numbers, chosen by the respective syndicates, subject to the approval of Mussolini in his capacity as Minister of Corporations. To these "representatives" were added experts, and three members of the Fascist Party whose business it was to watch the interests of the community.

To what extent this corporative system was a reality in Italian life was a matter of doubt at the end of 1934. Two possibilities seem to be worth consideration. If the Corporative system was simply an annex and tool of the dictatorship of the Fascist Party, then it had no permanence or importance. On the other hand, it is possible that the system was meant to be and will become something more significant. It may become that instrument for controlling the state which will be needed when Mussolini dies—always supposing that this event is not followed by a struggle for personal power amongst some of those leaders of the Fascist Party whom Mussolini has prudently appointed to posts abroad.

In this latter case it may be that the Italian nation will work its way towards self-government by democratic methods through the medium of the Corporative system, an

objective never reached under the old parliamentary system, an inefficient and corrupt organization over whose demise no tears need be shed. The practice and art of democracy is a matter fundamentally independent of any particular machinery of democratic government. In Great Britain and the Dominions the mechanism of representative parliamentary government has been employed with success as the outward and visible expression of the inward spirit of freedom of thought and speech, but even in the British case the changing conditions of the material world around us have necessitated and will continue to demand a constant process of change and adaptation in the machine. In the U.S.A. a similar process has been at work, and in the last chapter we said something of the efforts of the French to adapt their machinery of government to modern needs whilst retaining the essential features of democracy.

In Italy, at the end of 1934, the essential feature of democracy, which is intellectual liberty, was not visible, nor was it possible to be sure that a significant demand for that liberty yet existed amongst the people. If and when such a demand be expressed, then we shall see whether Mussolini has built a house upon the sand or upon the rock. Then we shall be better able to say whether the Italian Man of Destiny was or was not engaged in 1934 in the delicate process of shifting the edifice of Fascism from the sand foundations of its early days to a permanent rock foundation formed by a nation free to think for itself, to criticize and to amend, with the assurance that reason and not violence should be the final arbiter in case of dispute. When Italy is on such a foundation, her natural aspirations to be a Great Power will be satisfied and she will exercise a correspondingly important influence on world affairs.

CHAPTER VI

SPAIN

"Methinks I see in my mind a noble and puissant nation rousing herself like a strong man after sleep."—MILTON.

THE main interest of the history of Spain during Our Own Times lies in the Revolution of 1931, and accordingly the whole story of post-War developments in that country has been reserved for this volume. The story must be briefly told. At the end of the War, during which most of the clergy, army, bureaucracy and aristocracy had been pro-German, whilst the working classes and intellectuals had been pro-Ally, Spanish parliamentary institutions, always remarkable rather for their age than for their efficiency, collapsed under the pressure of three opposing forces whose conflict proved to be too great to be contained within the constitutional framework. The forces were: the Republican-Socialist Revolutionary Movement; the Separatist Movement in Catalonia (Barcelona); the Military Juntas or Committees which enjoyed Palace support and were beyond the control of the politicians.

The crisis came to a head as a result of a great disaster to the Spanish Army in the Spanish zone of North Morocco. In July 1921 10,000 men were wiped out at the battle of Anual by the Riff tribes, who for many years had resisted Spanish attempts to conquer them. At this time the Riffs were led by Abd-el-Krim, a man of western education and some genius, who not only nearly drove the Spaniards into the sea, but, before he was finally defeated by a combined Franco-Spanish campaign in 1925, shook the whole French position in North Africa. The writer was at French headquarters at Fez when Abd-el-Krim was but a few miles from that key position, and a French colonel remarked: "For lack of two white battalions which those

d—— politicians in Paris will not send us, France is running the risk of losing all Morocco, and Tunis and perhaps Algiers as well."

The catastrophe of Anual raised a storm of indignation in Spain and evoked clamorous demands for a thorough cauterization of this Spanish ulcer. The King, Alfonso XIII, was suspected of having contributed to the disaster by personal interference in the campaign. By September 1923 the report of a Parliamentary Committee of Inquiry was completed. Its findings were known to involve "high personages." At this juncture, General Primo de Rivera staged a military *coup d'état* and seized power as President of a Military Directorate in close association with the King. The dictatorship, which lasted for eight years, though accompanied by the usual features of Press censorship and the suspension of one of the oldest representative assemblies in Europe, was of a moderately tolerant character. De Rivera's principal achievement was the restoration of Spanish prestige in Morocco. The army was reorganized, its expenditure drastically reduced, and a prudent withdrawal from the Tetuan zone was carried out in 1924. The following year Abd-el-Krim was defeated by the concerted efforts of the French and Spanish armies. Paradoxically, de Rivera's success in Morocco was in a great measure responsible for his downfall, since his army reforms caused great discontent amongst the officers on whose support his dictatorship was based. In domestic politics he initiated elaborate measures for the state-control of industry, and embarked on a policy of intense economic nationalism, until the Spanish tariff barriers were, with the exception of those of the U.S.S.R., the highest in the world. Although towards the end of his régime he had begun to make cautious efforts to reintroduce a limited form of representative government, he was unable to stave off the inevitable reaction, since politicians of all parties, considerably "purged" of sectional interests and corrupt practices by years of imprisonment, exile, and general suppression, sank their differences in a common antagonism towards the dictatorship.

The tremendous gains made by the Republicans and Socialists at the municipal elections of April 1931 revealed that a crisis had been reached in which the King must either yield to his opponents or endeavour to suppress them by force. But the army was hostile to the dictatorship, whilst the Commander of the Civil Guard made it clear that his forces would not suppress the popular movement. The King left Madrid on April 14th, 1931. It is to the credit of the leaders of the Spanish Revolution that the highest traditions of Spanish courtesy were maintained towards the Royal Family. A provisional government under the presidency of Señor Alcalá Zamora came into power, and extended the franchise to all men *and women* over the age of twenty-three, as a preliminary to summoning a constituent assembly.

General elections were held in June 1931, and were fought on the issue of the Republic versus the Monarchy. The Republicans gained an overwhelming victory and the Cortes met in July 1931. The new Constitution framed by this body declared, amongst other things, that Spain "is a democratic Republic of workers of all classes"; that "the Spanish State has no official religion"; that "property is subject to expropriation for social uses"; and that "Spain renounces war as an instrument of civil policy."

On the delicate subject of provincial autonomy it was decided that regional autonomy might be established, and that the Republic was "Federative" and not "Federal."

At the outset of the new régime there was a clash between the Socialists and the Republicans over church policy, as a result of which the Socialists prevailed and secured control of the Cortes with a Government led by Señor Azana (October 14th, 1931).

At this time the situation may be summarized as follows: the Spaniards, a nation of individualists, 75 per cent. of whom were small agriculturalists, found themselves committed to a series of extremely socialistic and anti-clerical measures which by no means represented the feelings of the electorate, with the result that strong opposition was encountered both from the quondam privileged classes of

the right, and from the anarchist sections of the extreme left. At the outset of its career the new Government passed an Emergency Law for the Defence of the Republic, giving itself almost dictatorial powers. In the face of these difficulties it achieved a considerable amount of progress. Sweeping measures of agrarian reform were initiated, involving the expropriation of large landowners and the conveyance of their neglected land (60 per cent. of the agricultural land of Spain was uncultivated) to peasant proprietors. Nevertheless great discontent was caused not only among the former owners, but among the peasants, who failed to realize that redistribution of property cannot be carried out by a stroke of the pen.

The army was reorganized—some 10,000 officers being pensioned off and the military forces brought for the first time under the authority of civil law. Church schools were abolished, and a campaign was begun for the provision of a huge increase in state schools and teaching staffs. But here again much opposition was aroused, especially amongst the women, on the score that the Church schools, which had provided education for half the children in Spain, were abolished before adequate provision had been made for their substitution by other schools. Some 9000 new schools were provided, but about 27,000 were needed.

Finally, there was the wholesale attack on the wealth of the Church. All Church property was nationalized in March 1933, and in May the religious orders were forbidden to teach or engage in industry. The law by which the Church budget was abolished, depriving some 40,000 priests of their state allowances, was intended to come into operation in December 1933.

These policies of the first Socialist administration were the issue at the second General Elections of the new régime, which were held in November 1933. The results registered a heavy swing to the right, and in the new Cortes the left groups mustered less than 100 deputies, whereas in 1931 the right wing parties had only secured 60 seats. A significant phenomenon in the 1933 Cortes was the appearance of a dozen deputies who had secured election as monarchists.

The Socialists and Republicans had been united in 1931 only on the one point of abolishing the monarchy, and the Socialist Governments of 1931-33 were continually subjected to pressure from the left, from whence the Anarchist-Syndicalist groups urged the need of ever more radicalism, and punctuated their demands by periodic outbreaks of violence.¹ These revolutionary movements landed 9000 political prisoners in gaol by the end of 1933. At the same time the groups on the right combined into an organization known as the C.E.D.A. (Confederacion Española de Derechas Autónomas) which included the Church, the landowners, the moderate Republicans and Fascists.

It must be remembered when considering the difficulties of the first governments of the Spanish Republic that they were in office endeavouring to establish Socialism in a traditionally conservative country at a time when the world economic crisis was growing in violence. The fall in the world price of primary products bore hardly on Spain, whose exports include olive oil, wine, cork, oranges, iron and copper ores. The value of Spanish exports fell as follows :

Millions of Pesetas

1930	1931	1932	1933 ²	1934 ²
2300	990	740	580	532

Public expenditure was rising, so was the public debt, and the Budget was in deficit, for the Republic had inherited a thoroughly unsatisfactory financial situation from the monarchical period.

As a result of the defeat of the Socialists a Coalition Cabinet took office (December 17th, 1933) under the leadership of Señor Lerroux. Its main source of support lay in the right wing parties of the Cortes. The new Government forthwith began to modify the socialistic and anti-clerical policies of its predecessors. It promised to continue the state subsidy to the country clergy and to slow up the closing of the religious schools until state schools were ready. It granted an amnesty to political prisoners.

¹ July 1931, January 1932, January 1933, December 1933.

² First eleven months.

Throughout the year 1934 the Spanish Government continued to move and act in a conservative manner, and the resistance of the Socialists increased as they saw, or believed they saw, the steady disappearance of the fruits of the Revolution. Meanwhile the Catalans,¹ who had reluctantly agreed in 1931 to compromise with the Central Government on the question of Catalonian independence, began to fear that they would soon lose the local autonomy they had accepted from the first Cortes of the Republic. Similar fears were felt by the Basques and other regional groups.

In October the Socialists decided to endeavour to overthrow the Government, and on the 5th of that month a rebellion broke out on a larger scale than any previously experienced. The chief centres were the mining district in Asturias and the industrialized province of Catalonia, which proclaimed itself an independent Republic. A striking feature of the revolt was the large part played by broadcasting, both sides issuing appeals and rallying their supporters "over the air." The rebellion was suppressed within a week, but only at the cost of great loss of life. According to official accounts, over 1300 troops and civilians were killed and nearly 3000 wounded. The material loss in Asturias alone was estimated at £10 million, and included irreparable damage to the famous Oviedo Cathedral.

At the end of 1934 the Government, led by Señor Lerroux, were endeavouring to convince the Socialists that the fundamental principles of the Republic would be respected, for the rebellion, though short-lived, had shown that the left wing elements commanded considerable influence throughout the country. At the close of *Our Own Times*, Spain was endeavouring to find what degree of Socialism and Republicanism was acceptable to the diverse political and cultural elements of modern Spain. The first régime of the Republic had clearly gone too far to the left; the sanguinary events of October 1934 seemed to show that the reaction had swung too far to the right; and it remained to be seen whether clergy and

¹ Barcelona is the chief town of Catalonia.

anti-clericals, peasant and landowner, Socialist and Conservative Republican, Catalan, Basque and Castilian could learn to compromise and co-operate.

It may be, it very likely will be, that Spain will yet play as great a part on the world stage as she did in the Middle Ages. There are forces inherent in the Spanish people which will be of great significance if and when they can be released from political and economic handicaps. Whether or not the new Republic can bring this about will be a most interesting question in the Times to Come.

CHAPTER VII

THE THIRD REICH

"All armed prophets have conquered and unarmed ones failed: for . . . the character of people varies, and it is easy to persuade them of a thing but difficult to keep them in that persuasion. And so it is necessary to order things so that when they no longer believe, they can be made to believe by force."—MACHIAVELLI, *The Prince*.

"Diseases desperate grown
By desperate appliance are relieved,
Or not at all." *Hamlet*, Act IV, Sc. 3.

ONE need not go all the way with General Goering, noted aviator and German National-Socialist, when he said in April 1934 to a gathering in Berlin at which the diplomatic corps were present, that the establishment of "National-Socialism" in Germany was an event comparable in significance to the discovery of America and the foundation of Christianity, in order to agree that the German Revolution of 1933 was a considerable event in the history of Our Own Times.

Before we tell the story of the triumph of National-Socialism it is necessary to recapitulate the events of which the second Revolution experienced by Germany since 1918 was an inevitable result. Cast in a mould fashioned by the genius of Bismarck, the second German Reich hardened into the form of a great World Power with amazing and dangerous speed. The second Reich was born to the sound of cannon and it died to the sound of guns.

Since, broadly speaking, Democracy had defeated Prussianism in the Great War, the majority of the German nation in 1919 pinned their hopes for the future upon the creation of a democratic state. The sufferings they had endured, the penalties inflicted upon them by the Peace Treaty, were associated with Imperial Germany; and the attraction towards Republican forms and democratic practices was strong and genuine. The reaction in Germany

against militarism and autocracy was fostered by the Allies, who had insisted upon the banishment of the Kaiser, and had by implication included the creation of a truly democratic government in Germany as one of the fundamental conditions of peace. The Allies, in short, forced the Germans to adopt a form of government with which they were unfamiliar, at a time when representative institutions in general were passing through so critical a phase that by 1934 the only important states in which they survived were the United States, France, and the Dominions of the British Empire.

Thus, both from necessity and inclination the Germany of 1919 launched forth upon an experiment in democracy. Alas! a rigid constitution; a system of proportional representation in Parliament; even a genius for organization—are not the sum total of the art of self-government. There is no short cut to the successful practice of democratic government; the path of long experience down which a nation may slowly accumulate precedent and tradition is the only way of progress. Moreover, post-War Germany, cribbed and confined within the terms of the Weimar Constitution, was a cripple from birth. Hanging round its young limbs were the economic and political fetters forged by the Peace Treaties. In the eyes of many Germans, especially the hard Prussian core of the nation, the Republic was a War bastard; and, as we have seen throughout this book, the Allies by their treatment of the reparation question, by their slowness in admitting Germany to the League, by their refusal to implement their moral obligations to disarm after Germany had fulfilled her duty in this respect, did precious little to legitimize the child.

In these circumstances it was only a question of time before a second reaction would occur, and by about 1931 Germany, after a decade of being treated as the pariah of Europe, had developed a national inferiority complex which was a menace to the peace of the world. The symptom of her inward mental distress was the growth of the National-Socialist crusade, of which the ex-Austrian bricklayer, Adolf Hitler, was the prophet.

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The appeal which has given the Nazi Movement its strength is that of National Unity based on the inherent superiority of the German race. "Blood" is the sacred element of National-Socialism. German and "Nordic" blood.

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Between 1919 and 1933 the average German, feeling himself to be an international outcast, longed to feel that he was "somebody," and, like the average Italian, burned with desire to improve his country's status. But whereas the intelligent Italian realized that modern Italy had never been a Great Power, and hoped by unswerving devotion to the Fascist emblem to restore the glories of Imperial Rome, the post-War German was morbidly aware that his state had been a Great Power (had it not held the world at bay for four years?), was still, though temporarily prostrate, a Great Power, and could not, should not, would not be denied its proper position. In order to force the world to recognize the essential Great Powerfulness of Germany, the first requisite was to create a united front. The national will was rent by party dissensions. In Republican Germany disunion was endemic. The machinery of national government was split into federal units. It was the sacred mission of National-Socialism to unify Germany on a national basis. The "River Main" line dividing North and South Germany, a line which even Bismarck had failed to efface, must go.

In a brilliant introductory section to a study of Nazi Germany and its neighbours, Arnold Toynbee shows¹ how the advent of Nazi Germany was not only a predictable event in so far as it marked a resurgence of a defeated Power similar in many respects to that achieved by France in 1830 after the Napoleonic Wars, but that it was also the "consummation—or the *reductio ad extremum*—of a politico-religious movement, the pagan deification and worship of parochial human communities which had been gradually gaining ground for more than four centuries in the western

¹ *Survey of International Affairs*, 1933, pp. 111 *et seq.*

world at large, and which had a still longer history behind it in the mediæval city-states of Central and North Italy."

This doctrine, first expressed in modern times in uncompromising form by Niccolo Machiavelli, is that of a "pagan religion of tribalism," of the view that "the worship of a parochial community constituted the whole duty of its subjects," and that "any community which was the object of such worship must be a moral absolute—a moral universe in itself which could be subject to no transcendent moral law in its physical collisions with other representatives of its own species."¹

This is the moral dungheap from whose spontaneous combustion sprang the notion of the sovereign state²—supreme, intolerant, terrible to contemplate, lawless and un-Christlike. It is in this conception of which Machiavelli was the first modern expositor that the roots of present-day nationalism have their being. It is this emotion which gives life to the pagan and symbolic images we drape in national flags before making our patriotic genuflexions in their shrines. It was this paganism which made an irresistible appeal to Young Germany, for the Nazi Movement was pre-eminently a youth movement.³ To the young men and maidens of Germany [1931], splendidly bodied, fully instructed by one of the most technically efficient educational systems in the world, the World War was ancient history. What responsibility had they for the acts of August 1914? But they suffered. They suffered materially; they suffered mentally as they writhed in the toils of the national inferiority complex, tormented by their inability to find an outlet in the post-War world for their energy and ideals. The Nazi Movement promised gods from the rubbish-heap of mythology; gods whose worship would exorcise inferiority complexes. The movement also promised action! a heroic age! a mighty struggle with powerful enemies, and then—after sacrifice—the fruits of victory.

In short, the Nazi Movement set out to create a frame-

¹ *Op. cit.*

² See Vol. I, Chapter I.

³ Paganism made a similar appeal to young Italy and young Russia. In Italy it was dressed up in the grandeur of Rome; in Russia it was equated with the class war.

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work within which a national spirit could be developed and expressed. It was essentially a heart-swelling crusade; a creation of the emotions rather than of the intellect.

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We have already said something ¹ of the financial straits of Germany at the time of the Hoover Moratorium, and of her failure to raise new credits in London. It was towards the close of 1931 that the German Government asked for an International Commission of Inquiry to investigate (as laid down in the Young Plan) her capacity to pay reparations then temporarily suspended for one year by the Hoover Moratorium. The Committee was appointed and issued the Basle Report, which vindicated the German claim that further payments were impossible for the time being.²

The Report pointed out that the Young Plan had contemplated a steady expansion of world trade, both in volume and value, as a result of which Germany's annual payments would have grown relatively less burdensome. It showed that this expectation had not been realized; that 43 per cent. of German loans (10,300 million marks) had been used to pay reparations and that Germany's industrial production had fallen by one-third between 1928 and 1931; that she had 5,000,000, or nearly a quarter of her normally employed population, out of work.

Late in 1931 the German Chancellor (Dr. Brüning), in issuing the fourth set of Emergency Decrees for the control of German economic life, declared that these were to mark the last stage in the painful policy of deflation. He admitted their drastic nature when he said that they "cut deeper into established notions of legal right and sanctity than any since times of great antiquity."

Dr. Brüning once more warned foreign Powers that if they feared the consequences of a Nazi success in Germany they could prevent it materializing "by giving Germany such help as, in my opinion, is necessary from the standpoint of humanity."

In February 1932 a decree was passed reorganizing the

¹ Vol. I, Chapter XIX.

² See Chapter XII, p. 257.

banks, the state being obliged to put up 1000 million marks for this purpose and, incidentally, to take under its control about half the banks in the country. Throughout the course of the year 1932 the German Reich was engaged in a desperate struggle for its economic life—a grim task which, as we shall see, had far-reaching political consequences. The method adopted in the first half of 1932 entailed a large increase of state control of private economic life. The shipping, iron, coal and steel industries all had to be assisted by public funds and passed under semi-state control. Unsuccessful attempts were made to control costs, for though wages were forced down about 12 per cent., prices only fell 6 per cent. Drastic measures to protect home agriculture were put into force, and in the sphere of finance a system of cast-iron control over the export of foreign exchange was set up in order to make it possible for the country to remain on gold. Germany's export trade, which normally employed 10,000,000 persons, fell by 35 per cent.—a catastrophe partly due to the new British tariff¹ and the competition of British goods quoted in the depreciated £ sterling in such of the world's markets as remained. The extreme measures taken by the German Government to protect their agricultural market led to commercial wars with neighbouring countries and boycotts of German industrial goods.

The extremely severe restrictive measures enforced by the Government made it very unpopular, and on May 28th, 1932, the aged President, Marshal Hindenburg, who had been re-elected for a second term of office, withdrew his support from the Chancellor (Dr. Brüning). The President refused to sign a further series of emergency decrees intended to balance the budget by reducing war pensions and unemployment benefit, and increasing taxation; and he also objected to a proposal to settle unemployed on the estates of the bankrupt Prussian landowners. These decrees were officially described as a call on the nation's "last reserves," and when they were rejected by the

¹ During the first nine months of 1931 Great Britain bought £40 million worth of goods from Germany; the figure for 1932 was £16½ million.

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President, Dr. Brüning and his Cabinet, "the Starvation Cabinet" as it was called, resigned.

In such soil the policies of Hitler and the National-Socialist creed had been making rapid growth. By this time "Das System," as its opponents scornfully termed the Republican Government, was visibly sinking into chaos, under the combined weight of the economic crisis and the resentment created in Germany by the failure of the ex-Allies to disarm. The rapidly growing army of unemployed were swelling the ranks of the various unofficial, semi-military organizations such as the S.A. (Storm Troops), the Stahlhelm (ex-Service men) and Republican Reichsbanner, whose origins went back to the days of the revolutionary outbreaks in Germany after the Armistice. The growing strength of these armed bodies afforded ominous evidence of the lack of genuine democratic sense in Germany, and showed that the clash of forces, and not discussion, was to control decisions. In April 1932 the Government failed to force the dissolution of the Nazi Storm Troops. When the decree was published Hitler observed: "To this latest desperate effort of the System there will not be a parade, but a kick."

When Dr. Brüning resigned, his place was filled by Herr von Papen, a member of the Catholic Centre Party. The explanation of this move is to be found in the fact that the great landowners and big industrialists viewed with the gravest apprehension the radical proposals in the Nazi programme, proposals which were clearly that part of the programme which appealed to the youth of Germany. At the same time the capitalists recognized the national desire for self-assertion and were as keen as the most emotional young Storm Trooper to restore Germany to her rightful place in the family of nations. Hence we find von Papen saying on June 4th that in order to rescue Germany from "the situation into which the Versailles Treaty, the world economic crisis and the mismanagement of Parliamentary democracy have brought it," it was necessary to amalgamate the spiritual, moral and physical forces of the country. He added: "The dry rot of Marxist-

Atheistic thought has already eaten too deep into all the cultural depths of public life." In August, von Papen broadcast the statement that "Only a truly impartial, national state leadership . . . elevated above all party considerations as an inviolable stronghold of justice," could bring them out of their difficulties. It was von Papen also who began the process of undermining the power of the federal states and centralizing administration in the Reich Government, and it was during his Chancellorship that Germany demanded equality of status at the Disarmament Conference and withdrew for the first time from Geneva when these claims were not granted. In the economic sphere von Papen's "government of Barons" announced its intention of "restoring the economic organism to its full efficiency through the medium of private enterprise." Amongst the measures introduced in order to further this policy were a 12 per cent. wage cut and a form of inflation disguised as a postponement of collection of taxation.

In spite of von Papen's attempts to tame the Nazi Party by adopting an aggressive attitude abroad, and by fulminating on the subject of national unity at home, his relations with Hitler were rather uneasy. In order to buy off Nazi opposition to his financial policy, von Papen had raised the ban on the military associations. There followed a series of clashes between Nazis and Communists, and in July the constitution of Prussia—in the government of which the Nazis had a strong majority—was virtually suspended. This breach of the constitution produced a further series of Nazi outrages, and in August Hitler was requested to restrain the violence of his adherents. A final attempt at conciliation, involving an offer of the Vice-Chancellorship to Hitler, proved abortive, and all hope of securing Nazi support appeared to be lost when five Nazis were condemned to death for murder at Beuthen on August 22nd.¹

¹ These five members of the Nazi Party were condemned to death for the murder of a Communist, remarkable for its brutality at a time when political murders had become commonplaces of German life. Hitler telegraphed to the condemned men that owing to the "monstrous" verdict: "Your liberty is from now on a question of our honour, and to fight against the Government which has rendered such happenings possible is our duty."

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On August 30th the Reichstag met after a long interval of government by decree and was opened by the veteran Communist leader, Clara Zetkin—she was born in 1857—who had travelled specially from Moscow in order to take the Presidential chair, a privilege which was hers by virtue of her seniority as the oldest member. She was assisted to the platform, where her indomitable spirit triumphed over the infirmities of the body. She proceeded to deliver in the name of Moscow a violent revolutionary attack on the Government, the Nazis and the Socialists. She spoke for nearly an hour to a House in which all the seats were occupied except those of the Government and Herr Hugenberg's thirty-seven Nationalists. She said that :

“ A Presidential Government has arrogated power to itself, has been formed outside the Reichstag, is the tool of capital and big land-owning interests, and its motive power is supplied by the Reichswehr generals.”

That :

“ Recent murders were due to the raising of the ban on the uniformed Nazi Storm detachments and the open favouritism shown to the Fascist civil war troops.”

And that :

“ The President and Government ought to be impeached before the Supreme Court of the Reich, only this would be like impeaching the Devil before his grandmother.”

Frau Zetkin ended with the hope that she would “ yet be spared to know the happiness of opening the first Red Congress of Soviet Germany in virtue of my seniority.” She then proposed that the House should immediately proceed to elect its President and Vice-Presidents. The vote was taken and Captain Goering, the Nazi candidate, was elected President by 367 out of 583 votes.

The Chancellor promptly obtained a Presidential decree authorizing him to dissolve the Reichstag, an action he carried out on September 12th by the peculiar expedient of

placing the decree on the speaker's rostrum whilst a division defeating the Government was in progress.

The new elections were held on November 14th, and although they resulted in a slight set-back for the Nazi Party, von Papen resigned. His fall was directly due to the unpopularity of his economic policy, which had caused strikes fomented by both Nazis and Communists.

President Hindenburg again approached Hitler and offered him the Chancellorship on condition that he would submit the list of his proposed Cabinet for Presidential approval. Hitler refused to accept these terms. He had made it clear in a speech on August 7th, 1932, that he did not wish to be Chancellor unless that position included the leadership of the German nation. Bearing in mind that at this time Hitler was forty-three years of age whilst the President was eighty-five, there may have been special significance in Hitler's assertion: "I am convinced that nothing can happen to me, for I know that I have been appointed to my task by Providence." To this rebuff the President replied as follows:

"I cannot give the leader of a Party my Presidential powers, because such a Cabinet is bound to develop into a party dictatorship and increase the state of tension prevailing among the German people. I cannot take the responsibility for this before my oath and my conscience."

The attempt made during the summer of 1932 by Hindenburg and von Papen, at the instigation of the industrialists (whose Nationalist Party had its private army—the Stahlhelm) and the landowners, to establish an authoritarian form of government which would be orthodox in its economics and "national" in its politics, had failed. The Nazis had survived this effort to split their party into its elements of Nationalism and Socialism. But the results of the November election, which reduced the Nazis' seats in the Reichstag from 230 to 196 and increased those of the Communist Party from 89 to 100, seemed to indicate some weakening of Hitler's position. As a last attempt to exclude Hitler, the President entrusted the Chancellorship to General Schleicher, whose policy was to govern on the basis of

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support from the regular army and progressive elements in all parties.

When the Reichstag met on December 6th it was seen that Schleicher's position was hopeless. There was open criticism of the President for not giving the Chancellorship to the "one man who is able to save the Fatherland." General Schleicher was soon in violent collision with the landowners and the industrialists. With the former, because of his schemes for agrarian reform¹ and his exposure of the immense sums of public money which had been squandered in relief to the East Prussian landowners; with the latter, because of his efforts to come to terms with the Social-Democratic Trades Union leaders.

Von Papen and Hugenberg (Press magnate and industrial leader) reached the conclusion that Schleicher must be overthrown even at the cost of seeing Hitler as Chancellor, and persuaded Hindenburg to withdraw his support from Schleicher and to send for the Nazi leader.

The Nazi leader assumed office on January 30th, 1933. Von Papen was made Vice-Chancellor and Prime Minister of Prussia, and the Nationalist Party lined up in support of the Nazis.

At this juncture in the story of the Third Reich it seems probable that the Nazis were concentrating all their efforts upon seizing power, and were willing to collaborate with the industrialists and large landowners if such a course would expedite the arrival of the day when the Swastika flag should wave over the length and breadth of Germany. The Nationalists, recognizing that a Nazi triumph was inevitable, were most anxious to secure place and office behind and around the throne so as to retain some control of the movement. The third element in the situation, the millions of Communists and Social-Democrats, watched the preparations for their extermination with the helpless fascination of a rabbit hypnotized by a stoat.

The appointment of Hitler as Chancellor inaugurated a period of six months—January to July 1933—which can be described as one of consolidation. The principal events

¹ 1½ million acres were to be made available for smallholders.

were these: The Reichstag was dissolved and elections were announced for March 5th, the German people being previously informed that the Nazis would rule with or without a majority. On February 27th a fire partially destroyed the Reichstag buildings, and with a rapidity which reflected credit on the imagination of the Nazis, the news was put about that this was a Communist plot. Opinion outside Germany was largely convinced that the burning of the Reichstag building was engineered by the Nazis themselves. In any case the event provided an excellent pretext for the issue of an Emergency Decree which suspended all the articles of the Constitution relating to the liberty of the person, freedom of speech, of the Press and of assembly. The constitutional rights of inviolability of postal, telegraphic and telephonic communication were suspended, as were those of privacy of domicile and protection of property. The last clause in this decree provided the emergency powers under which Hitler and his first lieutenant, Goering, were able to take over the administration of every state.

On February 20th, Goering, who by now was Deputy Commissioner for the Interior of Prussia, issued instructions to the Prussian police that they were to support "patriotic associations and ruthlessly use weapons against 'subversive organizations.' " . . . In the event of any deaths resulting from the use of force, the police were promised the support of Goering. This incitement to the murder of Socialists and Communists was accompanied by a threat of disciplinary measures against those "unduly considerate" in their behaviour towards subversive organizations.

The elections were preceded by wholesale arrests, including all the Communist deputies, and on March 3rd Goering said:

"I hereby summon the whole line to the onslaught on Communism. My measures will not be hampered by legal considerations. . . . In future no one will enter the Government who does not come from Nationalist circles."

On March 5th the votes were cast. For purposes of

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comparison the figures for the two preceding elections are set down in parallel columns in the Table below :

Party	July 1932		November 1932		March 1933	
	Votes	Seats	Votes	Seats	Votes	Seats
Nazis . . .	13,732,413	229	11,737,391	196	17,265,823	288
Socialists . . .	7,949,883	132	7,251,752	121	7,176,505	120
Communists . . .	5,276,887	88	5,980,540	100	4,845,379	81
Centre . . .	4,600,295	76	4,230,644	70	4,423,161	73
Nationalists . . .	2,174,071	36	2,959,051	51	3,132,595	52
Bavarian People's Party	1,179,717	19	1,095,939	20	1,072,893	19
People's Party . . .	436,337	7	661,794	11	432,105	2
State Party . . .	374,816	6	338,613	2	333,487	5
Christian Socialists . . .	362,331	6	404,161	5	384,116	4
Economic Party . . .	146,370	2	110,301	1	...	...
Agrarian Party . . .	91,359	1	149,026	3	114,231	2
Total . . .	...	...	35,148,470	584	39,316,87	646

Fortified by the results of these elections the Reign of Terror increased in frightfulness, and its range spread from Socialist and Communist victims to Jewry. Then began a policy of persecution and torment which caused Germany's name to stink in the nostrils of western civilization. Save when the unfortunate victims were cast into concentration camps, her learned men, the great Einstein himself, her scientists, much that was best in German liberal, artistic and scientific life, fled from the barbarities of the Nazi intolerance.

On the 21st of March the new Reichstag met at the Garrison Church at Potsdam and obediently passed an Enabling Bill which gave Hitler dictatorial powers for four years ; and also a "Uniformity Bill" which established the supremacy of the Nazi Party for four years in all legislative and municipal assemblies throughout Germany. During the early summer of 1933 the attacks on the Jews were intensified, the property of the Socialist and Communist parties and of the Trades Unions was sequestrated, and the movement for the Nazification of the Church was begun.

By July 1933 the Governments of the Federal States had virtually ceased to exist. The regional political parties, notably the Bavarian People's Party, had been dissolved, the state administrations superseded by Reichstathälters appointed by the Nazis, and the states had been reduced to the level of Prussian provinces. The policy of "Blut und Boden" had accomplished the task which Bismarck's "Blood and Iron" had failed to achieve. The "Main" line was gone.

Not content with abolishing the regional divisions of the Third Reich, the Nazis proceeded to eliminate all sectional divisions, whether represented by political parties or by rival military organizations, until, with the resignation of Herr Hugenberg in June, there remained but one official party—the Nazis, and two military forces—the Reichswehr and the S.A. But although the Nazi-Nationalist Coalition had officially ceased to exist, the Nationalist leaders continued to hold key positions under the Nazi Government, and, together with the Reichswehr leaders, played a large part behind the scenes.

During these first six months of the Nazi régime Hitler and the "old gang," who had represented industry and commerce in the Cabinet, were unable to restrain the furious excesses of the party-men. The Storm Troopers (S.A. men) were in charge of the situation, encouraged by the astounding pronouncements of such fire-brands as General Goering. Inflamed by the utterances of their leaders, the emotional side of the Nazi Movement displayed itself in such forms as bonfires of books written by pacifists and Jews,¹ and campaigns against multiple shops which were supposed to be inimical to the "little man."²

On July 1st, 1933, a Civil Service Act was promulgated. It contained the notorious Aryan clause which laid down that no person who was a Jew, married to a Jew, or descended from a Jewish grandparent, might be a member

¹ Cf. the bonfires set alight in Florence as a result of the eloquence of Savonarola in the fifteenth century.

² Cf. the futile campaign in 1934 in Great Britain by the Press Lords against the Co-operatives.

of the Civil Service. As a general principle it was laid down that Jews must be excluded from all public services, professions, literary and artistic, or any walks of life from which they might exercise an influence on the life of the nation. In the summer of 1933, however, it was reluctantly admitted that the half-million Jews in Germany might be allowed to trade, since their presence in commerce and finance was still essential to the economic life of the country and, like the "Nepmen" in Russia (see p. 161), they were reluctantly recognized as a necessary evil.

The object of the Nazi policy was to weld all Germans and things Germanic into a national unity transcending international association, religious communion or political frontiers; hence a furious campaign of vilification against the independent but "German" Austrian Government. Woman was ordered back to her place in the home, and was encouraged by the expenditure of public funds to withdraw from the labour market, to marry and breed Nordic sons. Dr. Goebbels was appointed Minister of Propaganda with the task of mobilizing in the business of unification all the resources of broadcasting, the theatre, the cinema and the Press. He described the Press as a piano on which the Ministry could play, and he expressed the hope that popular instruction would lead to a point "where the whole nation would think unitedly and at which there would only be one public opinion."

By July it was announced that the victorious Revolution had now reached the stage of evolution, the period of destruction was said to be over and that of construction about to begin. Neither of these suppositions was in accordance with facts. The old system in all its essentials, such as the Reichswehr, the Prussianized Civil Service, and the predominance of the great industrialists in economic affairs, was practically untouched; and when it came to reconstruction the Leader was to find that a new heaven and a new earth were easier to postulate than to create. Foreign bondholders cannot be consigned to bonfires, nor can bayonets create a favourable balance of trade. The main problem confronting Herr Hitler was still that which

had been the undoing of his predecessors—the re-establishment of Germany's economic situation.

In order to divert public attention from the bread and butter problems of life, a series of spectacular strokes of policy were organized, such as the Reichstag Fire Trial,¹ the Jewish boycotts and persecutions, and numerous great mass demonstrations. The master-stroke in this series, delivered at a time when it was essential to divert attention from a forthcoming winter of hardships, was the unequivocal assertion of Germany's right to rearm and subsequent dramatic withdrawal from the Disarmament Conference and the League in October 1933. Striking whilst the iron was hot, Hitler announced that a plebiscite on foreign policy would be held simultaneously with a general election in November. The result was a foregone conclusion, since it was only possible for voters either to endorse the Nazi policy or to have their voting forms relegated to the wastepaper basket. The results showed an overwhelming popular support of Hitler. They were as follows :

Reichstag Elections :

39,646,273 votes for Government.

3,349,445 invalid.

Referendum on Foreign Policy :

40,609,243 for Government policy.

2,101,004 against Government policy.

750,282 invalid.

Outwardly the Nazi position seemed impregnable, but the year 1934 was to witness two phenomena which indicated that antagonistic forces of unknown strength were still unsubdued by the Nazi leaders.

On July 1st, 1934, the civilized world was shocked to

¹ The Reichstag Fire Trial, which opened on September 21st, 1933, provided the world with a fascinating drama. Van der Lubbe, a half-witted Dutchman who pleaded guilty, was sentenced to death, and executed. Torgler, the Communist deputy, another of the accused, was acquitted but remained in preventive custody. Dimitroff, a Bulgarian Communist, also acquitted, was the hero of the trial. His indomitable courage and ready wit won him millions of sympathizers all over the world amongst people who detested his political creed. The Reichstag Fire Trial was important as an example of the fact that world public opinion counts even with governments professing indifference to its verdict.

learn that Hitler had taken barbarous action to suppress a revolt on the part of Röhm (Chief of the Staff of the Brown Shirts—the S.A.) and other Nazi leaders. It was said that Röhm and his associates—who were now declared to have been moral perverts—were intriguing with the ex-Chancellor, von Schleicher, to eliminate Hitler and to incorporate the S.A. with the Reichswehr. Whatever may be the truth in this matter, all that can be said with certainty is that Röhm, General Schleicher and a number of suspects were shot out of hand. There was no trial, and the massacre was legalized in retrospect when the Führer (Herr Hitler) announced ten days later that “In these twenty-four hours I was the supreme court of the nation in my own person.” The personal position of “The Leader” was still further exalted when President Hindenburg died on August 2nd, and the offices of President and Chancellor were combined in the person of Adolf Hitler. The carnage of June 30th was probably of less significance than another sign of resistance to the Nazi Gleichshaltung which attracted much attention in 1934, and that was the obstinate and heroic manner in which a section of the German Protestant Church resisted attempts made to Nazify the Reformed and Lutheran churches and so unify them into one German State Church. The churches were ready to accept the principle of unification, and the Kirchenbund (Federation of Churches) which existed to co-ordinate the affairs of the individual churches met in May 1933 and elected Dr. von Bodelschwingh as the Reichsbishop of the new all-German Church.

This appointment did not suit the ecclesiastically minded Nazis, or—as some would call them—the Nazi-minded ecclesiastics who were represented by a body known as the German Christians, the most extreme of whom demanded the abolition of the Old Testament from Protestant theology and the substitution for it of German sagas and legends, while the Hebrew prophets were to be replaced by “personages of German intellectual life in philosophy and art.”¹

¹ See *The Bulletin of International News*, Vol. XI, No. 10, November 8th, 1934, for an admirable summary of the dispute between the National-Socialist state and the German Evangelical Church.

The Chancellor (Herr Hitler) ignored the election of Dr. von Bodelschwingh and appointed a Dr. Müller as his representative to take over the affairs of the Church and frame a new constitution. A national synod was established by the German Christian group, and Dr. Müller was elected Primate (September 27th, 1933). Meanwhile Dr. von Bodelschwingh had resigned, but the opposition to the Nazification of the churches crystallized round the person of Dr. Niemöller, who organized "The Pastors' Emergency League." This league rapidly gained support, and early in 1934 it looked as if Dr. Müller had been defeated and that his resignation was imminent; but Herr Hitler and General Goering came to his support, and in April 1934 Dr. Jager, an official of the Reich executive of the Nazi Party, was appointed as lay legal member of Dr. Müller's spiritual ministry.¹

By the middle of May 1934 it was reported that several hundred pastors had been suspended and many churches closed by the secret police.

The Emergency League continued the struggle, and the Bishops of Bavaria and Württemberg were particularly obstinate and courageous in their refusal to bow the knee in the Temple of Rimmon. On September 23rd, 1934, Bishop Müller was installed as Primate of the Evangelical Church in the presence of a number of bishops appointed—with one exception—by himself.

The rebels replied to the disciplinary measures put into force by Bishop Müller by issuing a proclamation (October 20th) disassociating the affairs of the Church from the Primate's ministry and setting up an independent "Council of Brethren of the Evangelical Church." The situation was now so serious and was resulting in so many disorders, disturbances, protest meetings and widespread comments in the foreign Press that Herr Hitler could no longer refrain from action.

On October 30th he interviewed the rebel bishops and issued a statement which was at first understood to mean

¹ Dr. Jager had said: "When Jesus Christ entered world history it was, in the last analysis, the fire of the Nordic breed that was revived." (*Op. cit.*)

that the Nazi State proposed to withdraw from its attempt to carry out the process of "Gleichshaltung" of the Church on the principle of "one nation, one state, one Church." But at the close of *Our Own Times* there were signs that the events of October 30th had only provided both sides with a breathing space, and that the struggle might be renewed at any moment. It may well be that the Nazi leaders, faced with the difficult economic situation of the winter of 1934, were not anxious immediately to add to their problems a first-class dispute on a spiritual issue.

Although the "clean up" of July 1st and the Church revolt were indications that on the one hand there were dissensions inside the Nazi hierarchy, and on the other that freedom of thought and belief was still alive in Germany, the acid test of the régime was likely to be the economic situation.

Earlier in this chapter we described the financial difficulties of the Brüning period, difficulties which involved severe hardships for the German people, and which contributed very largely to the establishment of the Nazi régime. But the economic distress which had given Hitler both his opportunity and the bulk of his support was at the same time the greatest menace to his security, for, sooner or later, the fiduciary notes on future prosperity which he had issued to a despairing people would have to be honoured in the hard cash of material improvement. How was such material improvement to be achieved? To answer this question we must consider the background against which successive German Governments had wrestled with the financial problem. It was a background of international debt, reparation debt and commercial debt. This debt was built up subsequent to the great inflation in 1923 which wiped out practically all the liquid capital in Germany and left a situation in which the nation was forced to borrow from abroad, a situation very tempting to lenders, especially American lenders, who were well provided with surplus capital and more interested in high returns than good security.

The Germans have always claimed that these international

borrowings were necessary to meet Reparation payments ; but foreign experts deny this claim, and it has even been stated that "an examination of Germany's capital transactions since 1924 shows clearly enough that less than half of Germany's actual borrowings can be attributed to the Reparation payments which she was compelled to make."¹

This was the situation in the year of financial panic whose excitements we have already chronicled, and when the first fury of the storm had passed Germany found herself with two assets and several liabilities. On the credit side the Hoover Moratorium relieved her of the problem of finding reparations, and later on this temporary asset was made permanent at the Lausanne Conference at which the Reparation payments were buried. The other asset—supposedly of a less permanent nature—was the fact that the portion of the short-term bank debts which the panic-stricken creditors had not been able to get out of Germany during the first part of 1931, were now immobilized by a standstill agreement.

On the debit side the gold reserve of the Reichsbank was reduced to R.m. 1.6 milliards (£80 million)²; the banking system had collapsed into the arms of the state, whilst Germany's international credit had disappeared and there was no immediate hope of obtaining long-term loans in a crisis-stricken world.

The Brüning régime had heroically adhered to the orthodox canons of international finance and endeavoured by severe deflationary measures to make both ends meet, but with the advent to power of the Nazis a complete reversal of policy took place. Herr Hitler was committed to reduce unemployment, and the whole ideology of the Nazi doctrine presupposed a self-sufficient Germany. A very large public works programme was put in hand which

¹ *The Times*, September 19th, 1934.

The same authority published figures which showed that in the middle of 1931 Germany's foreign indebtedness amounted to about 23 milliards of marks, of which 8 milliards were for short-term debts. Of these debts the U.S.A. was owed R.m. 6.3 milliards on long term and 1.75 on short term, whilst Great Britain had lent R.m. 1.2 milliards on short term and 1.5 on long term.

² One-third of this was money borrowed from the Bank of England, Bank of France and New York.

caused a substantial diminution of unemployment¹ at the cost of a rise in the internal price level, and this was supplemented by elaborate measures of exchange control designed to keep the mark at its official gold value. This made German goods very expensive to foreigners and had the inevitable result of destroying Germany's export surplus and thus depriving her of any chance of obtaining funds with which to pay her foreign debts. The originator of this policy was Dr. Schacht, who was the Nazi governor of the Reichsbank, and later became Minister for Economic Affairs. In June 1933 Dr. Schacht insisted on repaying the credits which the Reichsbank had received from the Bank of International Settlements, thus reducing the Reichsbank reserve to the very small figure of 274 million marks.² Having created this situation Dr. Schacht then announced that it necessitated a six months' moratorium on all long-term debts. Vigorous protests caused this to be modified into an arrangement whereby 50 per cent. of the debt was transferable in cash and 50 per cent. had to be paid into a "blocked" account.

It would be tedious to describe the complicated and almost continuous negotiations which lasted throughout 1933 and 1934 between the representatives of the creditor nations and the forceful and cunning Dr. Schacht. Some creditors, notably the Dutch and Swiss, had a very favourable balance of trade with Germany, and because they were such important customers of the Germans they were able to squeeze specially good terms out of Dr. Schacht. The British and Americans protested, and a sharp exchange of notes took place between Great Britain and Germany in which Great Britain threatened to establish a trade-clearing system with Germany. Here again the British had a certain bargaining strength in that they bought more from Germany than they sold to her. On the other hand, the Germans took refuge in the fact that the boot was on the other leg in respect of trade relations between Germany and

¹ A large part of this result was also due to dismissing women from industry, shortening hours and spreading work.

² By June 1934 it had fallen to R.m. 76 million.

the Empire as a whole. The British forced some concessions out of Dr. Schacht and were immediately accused in New York banking circles of having done so at the expense of the Americans. The net outcome of the whole matter was that at the end of 1934 the German Government was only paying a fraction of the interest due on her overseas loans.

The reader would only have seen one side of the picture if the story of Nazi Germany's considerable default was left as we have told it on the preceding pages. The German case¹ was that much of the debt had been contracted to pay reparations; that German exports—even during the deflationary period when the German price level was being forced down—had been denied access to their normal markets by a tanglement of rising tariffs and trade restrictions; that the depreciation of the dollar and the pound had made it still harder for German exports to compete in the world market; and that it was both politically impossible and economically undesirable for the German Government to devalue the mark and so encourage exports—both because the German people had never forgotten the horrors of the first devaluation, and also because it would be harmful to add the mark to the long list of depreciated currencies, and perhaps precipitate an international currency-war.

At the end of *Our Own Times* the deadlock was complete, and as a result of Germany's isolation her policy was that of "Autarchy" or self-support. The creditor countries declared that this policy was largely devised as an excuse for default, and as political propaganda for the Nazi régime; the Germans asserted that as in 1914 their country was being encircled by an iron band, they drew a picture of a heroic but determined people prepared at all costs to prove their right to and ability to maintain an independent national life.

Although the German default was inconvenient to the creditors abroad and her partial economic isolation from such international economic system as existed in 1934 was a serious obstacle in the way of world recovery, her autar-

¹ See *The Times*, August 27th, 1934, for Dr. Schacht's speech at Leipzig.

chic policy raised vital issues inside the country. In normal times Germany was a large importer of food-stuffs and raw materials, and one of the world's principal exporters of manufactured goods—a situation which tended to make an adverse balance of payments as normal a feature in the economy of Germany as it was in that of Great Britain. The “self-sufficing” policy of the Nazi régime necessarily involved severe dislocations and readjustments in the German economic system. Germany was in fact particularly unsuited to be the scene of an experiment in self-sufficiency, for she had to import the majority of her requirements of such important materials as iron ore, copper, rubber, mineral oil, cotton, wool and vegetable oils. Every possible means were taken to stimulate domestic agricultural production; for example, in 1933 it was decreed that the output of margarine was not to exceed 60 per cent. of that for 1932, in the hope that this would reduce the dependence of Germany upon imported oil-seeds and also assist the dairy industry. The artificial stimulus given to agriculture by such measures and also by fixing minimum prices, and giving special credits to farmers, caused a rise in the prices of food-stuffs, and in the summer of 1934 there was talk of a food scarcity; but the facts seem to be that a sufficiency of food, though certainly no superfluity, existed in Germany at the close of 1934.

A question which greatly exercised the Government was that of ensuring the supply of raw material to German industry. The problem was tackled from two angles. On the one hand trade agreements of a barter character were negotiated wherever possible, and on the other hand a tremendous drive was made to produce inside Germany “synthetic” substitutes for the natural produce. The Chancellor (Herr Hitler) announced on July 13th, 1934, that “we shall through our ability, and, thanks to the genius of our inventors and chemists, find ways of making ourselves independent of imports of those raw materials that we ourselves are in a position to manufacture or find substitutes for.” From time to time announcements were made to the effect that the German chemists had succeeded in producing artificial textiles, synthetic rubber and so forth, which would

make Germany less dependent upon imported materials. On October 30th, 1934, it was announced that Dr. Schacht in his capacity as Minister for Economic Affairs had compulsorily amalgamated certain firms into an association for the production of motor-spirit from lignite coal.¹ In addition to measures of this character an anti-waste campaign was launched reminiscent of that carried out during the War. It was even reported ² that skins for sausages were in future to be made of prepared paper.

Conclusion

The situation in Germany at the end of 1934 was dominated by the plebiscite in the Saar, due to take place on January 13th, 1935.³ It was notorious at that time that every effort was being made in Germany to prevent untoward developments from having a harmful influence on the expected German triumph in the Saar. Taking a longer view of the outlook in Germany it seemed as if the economic position was bad, though not desperate; but that it would be progressively difficult for the Nazi régime to hold such economic improvement as had been made, since it was largely a temporary domestic recovery supported on a public works programme, and for permanent recovery a considerable increase in the German exports appeared to be essential. However, theories that economic distress in Germany would cause the downfall of the Nazi dictatorship were apt to ignore the fact that within limits a certain amount of hardship, calling for self-sacrifice, was a useful talking-point for Nazi propaganda, especially when the hardship could be attributed to the action of Foreign Powers and international Shylocks.

It seemed at the end of 1934 that once the Saar business

¹ Germany imported about 1,000,000 tons of motor-spirit a year, and it was hoped that the new association would produce half this quantity by about 1936-37. The I.G. Dye Trust already produced about 200,000 tons in 1934. The price of the home-produced spirit was not expected to be competitive with the imported fuel.

² *The Times Trade and Engineering Supplement*, October 6th, 1934.

³ For particulars, see Chapter XIII, pp. 309 *et seq.*

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was out of the way the German Government would have to orient its policy in one of two directions. It might move either more to the left, involving more isolation, more "Autarchy" and more default, or else turn in the contrary direction and come to some compromise with the debtors, thus paving the way for a resumption of foreign lending, for a move towards freer trade and perhaps a carefully staged 10 per cent. to 15 per cent. devaluation of the mark. There was no doubt that a swing back to international co-operation would inevitably be regarded by the young enthusiasts of the National Socialist Party as a deplorably retrograde step. But if—as seemed probable—the real seat of power in Germany, notwithstanding appearances, still rested with the big industrialists and the Reichswehr, the protests of the young Nazi zealots would perhaps be silenced by another ferocious and sanguinary "clean up."

Weighing all the relative factors, it seemed likely at the beginning of 1935 that Hitler would remain and the sharper contours (as well as the younger hotheads) of the Nazi Movement would disappear, and there was some hope at the end of *Our Own Times* that Germany was preparing to resume the place in the Great Society of Nations from which, like Lucifer, son of the morning, she fell so tremendously in 1914. But if this was to be the course of events, it was incumbent upon the ex-Allies to remember that understanding and sympathy, reasonableness and some sacrifice was also demanded from those nations whose representatives drafted the Treaty of Versailles. Since 1920, concession after concession had been made to Germany by the ex-Allies, but they were always nullified by those fatal words—"too late."

In February 1935 the French and British Governments held conversations in London which resulted in a determination to make an offer to Germany calculated to lead to a final settlement of the infernal triangle.¹ This matter is further discussed in Chapter XIII.

¹ See Vol. I, Chap. V.

CHAPTER VIII

RUSSIA (1926-34)

"I have heard frequent use," said the late Lord Sandwich, in a debate on the Test Laws, "of the words 'orthodoxy' and 'heterodoxy'; but I confess myself at a loss to know precisely what they mean." "Orthodoxy, my Lord," said Bishop Warburton, in a whisper—"orthodoxy is my doxy; heterodoxy is another man's doxy."

PRIESTLEY, *Memoirs*.

IN the previous volume we left Russia about the year 1926 at a turning-point in her destinies. The Communist Party was then indisputably in control of a country the great majority of whose inhabitants were, equally indisputably, small peasant capitalists. Faced with this paradoxical situation the Soviet Government was devoting more of its attentions to the establishment of Communism within its own territories, and less to the question of extending the benefits of that régime to the outside world, an attitude which encouraged the Western Capitalist Powers to adopt towards the parvenu of Eastern Europe a policy of "Live and let live." Finally, Russia had lost Lenin but found Stalin.

We have noted that the Communists, realizing they had underestimated the magnitude of the political task of "socializing" the masses and the economic task of keeping alive a bare minimum of economic activity, were obliged, in order to gain time, to compromise with their principles and reintroduce "Capitalism" under the guise of the "New Economic Policy." This policy succeeded. They gained time in which to prepare plans for a new approach to their problems.

For many reasons there was only one way out of their difficulties and that was through the industrialization of the Russian economy. Only by a process of industrialization, by the application of power to the business of wealth production, was it conceivable that the immense natural resources of the Soviet Union could be adequately exploited.

The mechanization of agriculture foreshadowed a decrease in the rural population. Where were the displaced peasants to go? Only the creation of a great industrial system could provide them with economic havens of refuge. In short, the Russian problem was a larger edition of the problem which had faced Great Britain in the 1840's. The standard of living could only be raised by using power production, and this meant a readjustment of the national balance between agriculture and industry, as well as the mechanization and rationalization of agriculture.

So far we have stated the problem, and its only solution, as these matters might have appeared to, let us say, a Conservative Government in Great Britain. But in Russia the men in control were Communists, and they were faced with the dual problem of solving this practical economic problem and yet making it the means to a political end.

In this respect their problem in the 1923-25 period had been very similar in broad outline to that which was to face Roosevelt in the U.S.A. in 1933. He also had to save his country from economic collapse, but was determined to do so in a manner which would leave a permanent mark on the social system of America. *Recovery* and *Reform* were the watchwords both in the Kremlin in 1923 and in the White House in 1933.

The task of the Russians was probably easier, for though Roosevelt possessed technical advantages denied to Stalin, such as machinery, skilled labour and the immense power of the loud speaker, yet much of the economic apparatus at Roosevelt's disposal was permeated by the political and social notions he was anxious to reform. Russia had no Wall Street, no "big business" or banking system of significance. This was advantageous from the Communist point of view. The Communists knew—or thought they knew—that if and when they succeeded with "Recovery," they would not be rebuilding a Frankenstein monster which would destroy its creator, and yet even here the difference between the problem of the Kremlin (1923) and the White House (1933-35) must not be overstressed. If Roosevelt was likely to be menaced by the reviving spirits

of big industry and high finance who were offering (unless indeed the age of miracles was not over) mere lip service to his Reform schemes, Lenin's and Stalin's plans were menaced by the peasants who had been turned from non-political creatures into active anti-Communists through their newly won ownership of the land.

The Communists solved their dual problem by deciding to proceed to their ultimate aim of socialization by way of a period of state capitalism. This policy was based on the theory that it would produce the necessary economic improvement, but that since the control of the venture would remain in the hands of the state, *i.e.* the Communist Party, it could be used as an educative weapon for Socialism. They would use Socialism to make Russia prosperous, and then prosperity would be associated in men's minds with Socialism.

That was to be the broad principle ; its application had to be carried out at top speed. This fitted in with the religious zeal of Communism and, subject to certain qualifications, was very good politics. High speed meant great sacrifices ; it meant a sense of urgency ; of battling with a crisis ; of service for the nation ; a crusade against difficulties. Fired with such mighty purposes as these, men rouse themselves and claim kinship with the gods. The finer side of man's complex character emerges and he declares the impossible to be easy.¹ Faith moves mountainous difficulties or at least makes them appear as molehills. The qualifications mentioned above were : that there was a limit to the endurance of the ordinary man, and that if zeal was allowed to run quite out of sight of discretion, technical inefficiency might cause a collapse.

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It was in December 1927 that the Soviet Government opened a " Socialist offensive " as a prelude to the commencement in October 1928 of the first of a series of Five-Year Plans. The return to Socialism was made none too

¹ Cf. the appeals to the peoples issued by governments during the War. Also speeches by Roosevelt (March 1933) and Hitler.

soon. Ever since the introduction of the N.E.P. in 1921 the economic life of the country had been divided into two sectors. On the one hand the state and co-operative industries, and on the other, the private businesses. The state—even when the New Economic Policy was being most leniently interpreted—had never abandoned to this cuckoo in the Communist nest the so-called “commanding heights”¹ of heavy industry, transport, foreign trade, banking, insurance and a proportion of the large Government estates which the Communists had saved from the grasp of the private peasant. But in 1927 the state-controlled side of the Russian economy was not doing very well, whilst the “private sector” was making relatively rapid progress. It was responsible for 17 per cent. of the production in industry and for over 90 per cent. of agricultural production. It handled 35 per cent. of the retail trade. This was all to the good from the point of view of economic recovery; to the ardent Socialist it was deplorable. The Nepmen (or private trader) and Kulaks (rich peasants) were growing in numbers. Their speedy “liquidation” was essential.

The immediate purposes of the Five-Year Plan—whose preparation had taken three years—were to socialize and mechanize agriculture; to develop heavy industry under state control, and to secure, through the Budget, government control over the production and distribution of wealth. The plan was drawn up by the State Planning Commission (the Gosplan), a body originally set up in 1921. This body set to work on the basic assumption that Russia was one large, self-contained, economic unit. The first difficulty was that of finance. A policy of industrial and mechanized expansion of agriculture, such as was contemplated, would—in normal times—have absorbed most of the foreign investment of the capitalist world, but the staggering task in front of Russia was that a capital expenditure estimated to be in the region of 50,000 million roubles (say £5,000,000,000 at par) spread over five years was to be made out of *internal savings*. The proportion of national income saved in Great

¹ So described in a decree of June 1918.

Britain has been estimated to be about 27 per cent. per annum. It appears likely that a comparable figure for Russia during the first Five-Year Plan was in the region of 40 per cent. This presupposes the lowest level of consumption which will keep human beings alive and fit to continue production. The plan in its first stage of five years depended upon the ability of the Russian people to endure the privations attendant upon a ratio of investment to consumption much higher—so far as can be judged—than anything known in modern history, except perhaps the enforced abstinence of the German nation during the years 1917-18.

The western critics who pointed with scorn to the miserable life of the common man in Russia during the years 1928-32 were for the most part wide of the mark. A very low level of consumption was a sign of success, always provided that production was increasing and being invested in capital goods. The smaller the proportion of production consumed in the present, the more there was left for investment for the future. Before considering the extent of the productive increase, something must be said of the tactics employed in order to obtain the low level of consumption. It was fashionable up to about 1931 for foreign observers to allege that the high rate of saving was due to the stranglehold of the dictatorship of the Communist Party. This was no doubt an important and probably the dominant influence, but it is manifestly absurd to suppose that a million and a quarter men and women can, over a period of time, arbitrarily inflict their will upon a population of some 166 million—even in Russia. There were other explanations. Firstly, the propaganda of the Party which managed to get across the notion of the mighty struggle—as indeed it was—in which new-born Russia was engaged; a struggle in which the capitalist Powers played the rôle of the wicked uncles. Secondly, the example of the members of the Communist Party whose white-hot zeal, singleness of mind and selflessness of purpose was maintained by periodic and stringent purges intended to eliminate from the Party the weak-kneed, the backsliders and the self-seekers. Thirdly, the care and attention, physical and

mental, paid in Russia to the young generation. The bitterest enemies of the Communist régime admitted that as compared with the days of Tsarist Russia the Bolsheviks did great things for the physical well-being of the children. The education of the young was vigorously taken in hand, but whilst on the one hand a determined and successful attack was made on illiteracy, a glance at Russian school-books showed the exclusively Communist framework in which all education took place. Young Russia was Socialist; it knew no other world, and the drive, the push, the enthusiasm, the sacrifices which were at the bottom of the achievements of the Five-Year Plan were rooted in the youth of the country. To a large extent contemporary literature, as well as the drama, on stage and screen, were cramped within the same convention, though towards the end of Our Own Times there were signs of a liberalizing tendency in this respect. Fourthly, must be mentioned the brutal frankness with which the leaders of modern Russia admitted mistakes and explained the need of sacrifice. No western democratic government would ever have dared to make the admission made by Stalin, when in 1931 he recognized that the *tempo* of the attempt to collectivize the peasants had been too swift. To say that Stalin could safely admit his errors, since there was no opposition to step into his shoes, only partially detracts from the achievement and is an argument which would equally have justified concealment of failure on the part of the Communist Government. Taken as a whole, the Russian people accepted the sacrifices inherent in the first Five-Year Plan—of which both the *tempo* and “control figures” were increased as the plan proceeded, so that it was completed to the slogan of “the Five-Year Plan in Four Years”—because they had faith as well as resignation. They were hopeful as well as helpless.

Before indicating statistically some of the achievements of the plan it may be as well to sketch some of the difficulties which had to be overcome. There was a great shortage of basic capital equipment, and this meant that machinery had to be imported from abroad, a fact which put still further

pressure on the home front since these imports could only be paid for by the export of raw materials such as timber, oil, flax, dairy produce and grain. Even making every allowance for the furious pace of the plan it was clear that many years would have to elapse before Russia could supply her own needs in heavy machinery, tools and the specialized products of western industry. In parallel with the shortage of machinery was that of skilled labour, from the mechanics to the engineers-in-chief and works' managers who were required to man the innumerable industrial undertakings and power plants which were part of the plan. The shortage of skilled labour was met by the importation of foreign specialists, by the intensive training of home labour¹ and by sending Russians to be trained abroad. The inefficiency of the industrial higher command in conjunction with the fact that thousands of primitive peasants were making their first acquaintance with machinery, led to great loss of output and much wastage of machinery. Another handicap which had to be overcome by the Five-Year Plan was that it had the misfortune to run into the World Crisis within two years of its inception. There was cruel irony in the fact that the first world-Socialist-state was suffering from the crisis of the capitalist system. Though the rulers of Russia might sarcastically point out that at a time when world figures of industrial unemployment were estimated at 30,000,000 (not including dependants), there was work for all in Russia, Stalin was watching the price fall as anxiously as were the inhabitants of Wall Street, Pittsburg, the City of London and the North of England. The Russians, unable to obtain credits—except to some extent from Germany—were obliged to pay cash for their imports, and cash meant the export of raw materials, and, as we have pointed out elsewhere, it was a characteristic of the price fall during the crisis, that raw materials, and especially agricultural products, suffered to a greater extent than manufactured goods. The crisis forced the Russians to export

¹ Cf. the high-speed training of officers for the New Armies in Great Britain 1914-18. But the Russians had no cadre, to speak of, compared with that provided by the British Regular Army.

more and more grain, timber, oil, etc., in exchange for less and less machinery. This is, of course, the simple and complete answer to the ridiculous nonsense which has been written about Russian dumping. All nations "dump" from time to time in order to secure a particular foreign market, if by dumping we mean the sale of an article abroad at a price below that current in the home market; but to suppose that the Russians were not anxious to obtain the maximum import in return for their export is to suppose that the Bolsheviks were either lunatics or philanthropists, two descriptions which do not seem to fit their activities in other respects.¹ Finally, the Five-Year Plan had to face, as perhaps its most formidable obstacle, the conservatism and "Communist-created-capitalism"² of the peasant. The whole scheme was very nearly wrecked on this rock. The attempt to collectivize the peasant and eliminate the Kulak was made at too great a speed. The peasants retaliated by hoarding their grain and slaughtering their livestock on the principle that they would destroy their property rather than lose their private rights therein. The terrible results of the resistance of the peasants is shown in Table I below, which was published by Stalin on February 3rd, 1934. (*Moscow Daily News*.)

TABLE I
NUMBER OF LIVESTOCK IN THE U.S.S.R.
(In millions of head)

	1916	1929	1930	1931	1932	1933
(a) Horses	35.1	34.0	30.2	26.2	19.6	16.6
(b) Large-horned cattle .	58.9	68.1	52.5	47.9	40.7	38.6
(c) Sheep and goats .	115.2	147.2	108.8	77.7	52.1	50.6
(d) Hogs	20.3	20.9	13.6	14.4	11.6	12.2

The fantastic speed at which "paper" collectivization took place is shown by the fact that according to the *Bulletin*

¹ Cf. the action of the "Restrictionists" in capitalist countries who destroy real wealth in order to raise the price by creating an artificial scarcity.

² See p. 160.

of the People's Commissariat of Agriculture, published on March 9th, 1930, there were on January 20th, 1930, 59,400 collective farms embracing 4,393,100 peasants, whilst a few weeks later these figures had risen to 110,200 and 14,264,300 respectively. It was utterly impossible, quite apart from the resistance of the peasants, for mechanization to cope with this rate of collectivization, and there was point in Trotsky's gibe concerning these "paper collectives" when he said: "From peasants' nags and wooden plows, however combined, you cannot create large-scale farming any more than a combination of fishermen's row-boats can make a steamer."

The situation was very serious, and the fact that the Bolsheviks at once bowed to the inevitable is part proof of the contention advanced earlier in this chapter that the mass of the Russian people were by no means helpless slaves under the heel of the Communist Party. In a notable pronouncement Stalin ordered a temporary relaxation of pressure on the peasants, and scourged the over-zealous Communist bureaucrats. The document, which was published throughout Russia, was entitled "Heads Turned by Success," and unsparingly rebuked the over-zealous attempts of members of the Party whose "heads had been turned" by unexpected success in the early stages of the policy of collectivizing the peasants. Comrades who had "temporarily lost their sanity" were instructed to regain their senses and moderate their methods without delay. "To irritate a member of a collective farm by socializing his living quarters, his small cattle and his chickens, when co-operative farming is not yet firmly established, is it not clear that such a policy can benefit only our sworn enemies?"

The modification of the pressure on the peasants foreshadowed by this document was translated into practice by the issue of instructions which permitted the peasant to keep his house and garden, one cow and chickens and, even in special cases, his sheep and pigs.¹ But the harm had been

¹ Further concessions of this kind were made in February 1935. See *The Times*, February 18th, 1935.

done and, as Stalin admitted in his speech to the Seventeenth Congress of the Communist Party in January 1934, the collectivization of the peasants had resulted in the destruction of about 50 per cent. of the total Russian livestock.

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By the beginning of 1934, nine months ahead of the scheduled period, the first Five Year-Plan had been completed, and the Russians were beginning a second Five-Year Plan estimated to cover the years 1933-37 inclusive. Its main characteristics will be described in due course, but first we must look back from the slight vantage point of 1934 and see how performance had matched promise during the years 1928-33. It is necessary to analyse the Russian achievements from the point of view both of quality and of quantity, and further to subdivide analysis into industrial, agricultural and social categories. Quality is always difficult to appraise statistically, but experienced observers seem to agree that, measured by the highest western standards, the quality of the achievement has been low. To say that this is probably true is not to be unfair to the Russian effort. The difficulties inherent in the fact that to a large extent Russia was forced to rely upon her own resources have already been stressed, and since the circumstances were peculiarly Russian it is a waste of time to consider whether in similar circumstances English, Germans or French would have produced better qualitative results. What is more important is the fact that the need for better quality was continually being stressed by the Party leaders, and that it would seem fallacious to argue on the basis of a few years' experience that Russians are incapable of steadily improving the quality of their production. It must be remembered that Russia was attempting in a few years to leap across the gap which separated a mediæval society based on primitive methods of agriculture, from a socialized society based on industry. Russia was attempting to compress into a decade processes which started in Great Britain at the beginning of the nineteenth century, and had not yet

reached the end of their development in 1935. It is clear from Stalin's report (January 1934) to the Seventeenth Party Congress of the work of the Central Committee of the All-Union Communist Party, that he had not lost sight of the need of improving the quality of the Russian production.

In the same speech he set forth at length the "immediate tasks" which confronted the nation in the various branches of its development. Under the heading Industry he laid down the following tasks:

1. *To maintain the present leading position of the machine-building industry in the system of industry as a whole.*
2. *To overcome the lag in the iron and steel industries.*
3. *To put the non-ferrous metal industry in order.*
4. *To develop coal-mining in all known coal areas, organize mining in new districts (for instance, in the Bureisk district in the Far East), to turn the Kuzbas into another Donbas.*
5. *To tackle earnestly the establishment of oil bases in the western and southern slopes of the Ural Mountains.*
6. *To develop the production of consumers' goods in the industries controlled by all business commissariats.*
7. *To unfetter local Soviet industry, giving it an opportunity to take the initiative in the manufacture of consumers' goods, and assisting it by supplying raw materials and funds.*
8. *To improve the quality of manufactured goods, to stop the output of incomplete sets of commodities, and to punish all comrades who infringe or evade Soviet laws dealing with quality and production of completed sets of goods, regardless of the position they hold.*
9. *To bring about a systematic rise in labour productivity and lowering of production costs.*
10. *To put a stop to the lack of personal responsibility on the job and to equalization in the wage rates.*

11. *To eliminate the bureaucratic routine method of leadership in every link of the business commissariats, systematically verifying whether decisions and instructions of leading centres are carried out by subordinate bodies.*
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Whatever may be the criticism which can be levelled against the quality of industrial progress in Russia it is clear that in the realm of quantity the Bolsheviki could claim astounding achievements. Table II below shows the increase in industrial production during the first Five-Year Plan. That of food is added for comparison.

TABLE II

GROSS PRODUCTION OF THE PRINCIPAL BRANCHES OF INDUSTRY
(In millions of roubles, in prices of 1926-27)

<i>Industries</i>	1928	1932
Coal	375.2	659.9
Oil	582.7	1413.0
Metal, total	2722.6	9032.6
Ferrous metals	705.5	1263.7
General machine-building, ship-building and production of metal goods	1405.8	5252.9
Agricultural machine-building	176.9	890.4
Electrical equipment	293.3	1218.3
All machine-building, including electrical equip- ment	1822.0	7361.6
Chemicals, Group "A" (equipment and means of production)	348.0	1039.9
Timber	836.7	2400.0
Industries producing articles of consumption (without food)	5408.0	8977.1
Food	1544.5	3485.3

Enormous power plants, factories, new mines, great cities were established on a scale which—making all allowances for technical shortcomings *and* handicaps—was undoubtedly one of the marvels of Our Own Times. This development had the effect of definitely transforming Russia into an industrial country. Table III overleaf shows the change which took place in the value of the output of industry and agriculture.

TABLE III

RELATIVE PERCENTAGE STRENGTH OF INDUSTRY IN THE GROSS
OUTPUT OF NATIONAL ECONOMY (in prices of 1926-27)

	1913	1929	1930	1931	1932	1933
1. Industry . .	42·1	54·5	61·6	66·7	70·7	70·4
2. Agriculture .	57·9	45·5	38·4	33·3	29·3	29·6
Total .	100·0	100·0	100·0	100·0	100·0	100·0

Another result of the industrial development was the virtual disappearance of private industry. In 1927 private industry was considered to be responsible for 17 per cent. of the value of industrial output; in 1933 that figure had been reduced to 0·07 per cent. We will now examine the progress of agriculture. Here the story was rather different, and in the words of Stalin (January 1934), "Somewhat otherwise has gone the development in the field of agriculture. The upward trend in the basic branches of agriculture has proceeded . . . many times slower than in industry, but nevertheless quicker than when individual farming was prevalent. But in the livestock branch we had even a contrary process—and only in 1933, and then in pig-breeding alone, did we observe signs of progress." "The contrary process" to which M. Stalin referred has already been discussed and illustrated in Table I on p. 165.

Some figures illustrative of the progress made in agricultural production are printed at the end of this chapter, but the progress shown thereby was more than offset by the tremendous fall in livestock due to the resistance of the peasants to "collectivization."

As Stalin pointed out, the fall in the livestock figures showed the errors made in agricultural policy and the necessity for "a reorganization period." As he said: "The period under review was for agriculture not so much a period of rapid rise and a powerful sweep as a period for

creating the prerequisites for such a rise and such a sweep in the near future."

Part of the "reorganization policy" mentioned above was the relaxation of the pressure on the peasants and a freeing of the markets, but this easing up of the practice of socialization was accompanied by an intensification of the educative work and the reinforcement of the technical labour side of agriculture. The Central Committee of the Party sent 23,000 Communists into the villages, and nearly 2,000,000 "tractorists, drivers, combine operators and chauffeurs were trained during the period under review and put into the system of the People's Commissariat of Agriculture, whilst over 1,600,000 chairmen and members of the collective farms' boards, field cultivation experts, accountants, etc., were trained during this period (1924-33)." "This, of course," said Stalin, "is not much for our agriculture. Nevertheless, it is something." Stalin then asked his audience whether it could be said that the situation was satisfactory as regards agriculture. He answered himself by claiming that "our Soviet peasantry has finally left the confines of Capitalism and has gone forward to Socialism in alliance with the working-class"; but he evidently felt that this process was in need of further support, for in a remarkable passage urging the need of further effort on the agricultural front he observed:

"To begin with, these People's Commissariats are infected to a greater degree than other Commissariats with the disease of a bureaucratic, red-tape attitude to their work. Questions are decided, but no thought is given to checking up fulfilment, to calling to order those who violate the directives and orders of the leading organs and to promoting those who honestly and conscientiously fulfil their tasks.

"It would have seemed that the existence of a huge number of tractors and machines would oblige the land organs to keep these valuable machines in good condition, to get timely repair done to them and to utilize them more or less efficiently in the work. What is done with them in this matter? Unfortunately, very little. The

storage of tractors and machines is unsatisfactory. The repairs are also unsatisfactory. . . .

"One of the next tasks of agriculture is the introduction of proper crop rotation, extension of fallow summer plowing and an improvement in seed work in all branches of land cultivation. What is done in this realm? Unfortunately, very little, so far. . . . One of the real means of raising the harvest yield of technical crops is to supply them with fertilizers. What is being done in this realm? Very little, so far. There is the fertilizing material, but the organs of the People's Commissariat of Agriculture have not the capacity to get it. . . . As for the state farms, it must be said that they are still not up to the mark in their tasks. I am far from undervaluing the great revolutionizing rôle of our state farms. But if the huge investments of the state in the state farms be compared with the actual results they have achieved, up till now, a tremendous disparity will appear, to the disadvantage of the state farms. The principal cause of this disparity is the circumstance that our grain state farms are too unwieldy, the directors are not coping with the huge state farms, the state farms themselves are too specialized, they have no crop rotation and fallow fields, they have no livestock breeding elements in their make up. It is obviously necessary to divide up the state farms and liquidate their undue specialization. . . . Finally, the question of livestock breeding. I have already reported on the serious livestock situation. One would have thought that our land organs would have displayed feverish activity in the liquidation of the livestock crisis, that they would raise the alarm, mobilize the workers and take our livestock problem by storm, as it were. Unfortunately, nothing of the sort has taken place, or is taking place. So far from raising the alarm in regard to the difficult livestock situation, they are, on the contrary, trying to cover up the question, and sometimes are even trying to hide in their reports the true state of things in livestock from the public opinion of the country, which is absolutely intolerable for Bolsheviks."

It is clear from the foregoing evidence drawn from Russian sources that the agricultural situation during the years 1929-33 gravely menaced the whole structure. Competent foreign observers, writing in 1933, declared that Russian agriculture was ruined, and that this was the fatal price to be paid for the achievements on the industrial front. "Ruined" is too strong a word. The Communist ship of state sailed very closely to the wind in 1931-32, but the reforms introduced seem to have saved a collapse. The great mistake will, however, leave its mark on the Soviet experiment for many years to come. It may take a decade to replace the livestock, and a decrease in the *tempo* on the industrial front has become inevitable, and is indeed reflected in the control figures of the second Five-Year Plan.

Man does not live by bread alone, nor only by the products of heavy and light industry, and the Bolsheviks consistently declared that the ultimate aim and object of all this great economic effort was the improvement of the material and cultural condition of "The Toilers"; and in this connection it is worth noting that the social insurance fund rose from 1810 million roubles in 1930 to 4610 million in 1933. There was a considerable improvement in housing conditions, and the legal system of Soviet Russia, particularly in such matters as divorce, contained features which may in due course be incorporated in the codes of the Western nations.

Universal compulsory public education was established, and the percentage of literacy rose from 67 per cent. in 1930 to 90 per cent. in 1933.¹ The number of children in schools of all grades was 14½ million in 1929 and 26½ million in 1933. The circulation of newspapers rose during the same period from 12½ million to 36½ million.² The extraordinary passion for the written word, which was a marked characteristic of the young Russian, was commented upon by many foreign observers.

Finally, some remarks must be made about the transport

¹ In 1897 the figures for illiteracy were : males, 62 per cent. ; females, 87·5 per cent. In 1926 : males, 34·6 per cent. ; females, 63·3 per cent.

² This is distributed amongst about 10,000 newspapers, many of which are small weekly sheets.

problems. There was general agreement between friend and foe of the Soviet system that the transport arrangements in Russia were one of the weakest links in the Socialist chain, and that transport was perhaps the bottle-neck which constricted the exchange of goods between factory and farm.¹ When reporting that the number of motor vehicles in use at the end of 1933 was 117,800, Stalin observed: "This is so little for our national economy that we feel ashamed to speak about it."

Taken as a whole, the Russian effort has indubitably increased the national income very substantially. The Soviet estimate is that the increase has been from 29,000,000,000 roubles in 1929 to 50,000,000,000 roubles in 1933.² On this point the following comment will be made. During this period (1929-33) the national income in every capitalist country was certainly falling; on the other hand the Russians were filling up a vacuum whilst the capitalist countries were grappling with a pressure of real wealth in a social structure which could not cope with its contents.

There we must leave the difficulties, the criticisms, the achievements of the first Five-Year Plan, and in summary write that "failure" and "success" are relative terms, that some such planning was the inevitable consequence of launching any scheme to increase the output of wealth in Russia by industrial methods, that by 1935 the venture had succeeded to a degree which most foreign observers declared impossible in 1925, and that there is no reason to suppose that the venture will not go on, as indeed it did go on, in the second Five-Year Plan. But as it went on it altered its character. It became less violent. The famous "party line" deviated more and more from the extreme left and swung back towards that point midway between primitive Communism and primitive private Capitalism where, in perhaps twenty years' time, the economic and social policies of Russia and the West will only vary in such details as befit the several national characteristics. The

¹ The increase in industrial production for 1933 over 1932 was 8.7 per cent., but the ton-kilometres of the railways only increased 1.2 per cent.

² The official estimate for 1937 is Roubles 100,000,000,000.

Russians in 1935 were slowly coming back from idealism to realism; the capitalist peoples were making the same journey in the reverse direction. Harcourt's famous remark, "We are all Socialists nowadays," was acquiring an international flavour, though some peoples tasted it through evolution and democracy, and others through revolution and dictatorship. The evidence of the Russian move to the right was voluminous. The main features of the second Five-Year Plan were a relaxation of the *tempo* and a concentration of capital investment in the light industries¹ for the provision of consumption goods such as cotton piece goods, woollens, footwear, glassware, soap; and in food-stuffs, meat, fish, animal fats and canned goods.²

Special attention was given to transport in the second Five-Year Plan. Motor-car production was to increase 800 per cent. between 1933 and 1937. Table IV below shows the proposals for increase in electric power output during the second Five-Year Plan, which ends in 1937. For purposes of comparison figures of output since 1930 are included, together with an estimate for 1937.

TABLE IV

Year	Capacity in 1000 kw.	Output in million kw. hours
1930	2,894	8,400
1931	3,968	10,600
1932	4,567	13,700
1933	5,600	15,900
1937	10,700	38,000

An interesting phenomenon which may one day be of great international political significance is the evidence afforded by the second Five-Year Plan that the centre of gravity of Russian industrial life is steadily moving Eastward. There are obvious strategic advantages in concentrating industrial production hundreds of miles from the Western frontiers, and, apart from the clear intention of

¹ As compared with the First Plan, the increase of investment in the Second Plan was two and a half times as much for heavy industries, but four and a half as much in light industries.

"The second Five-Year Plan aims at raising the standard of living of the people" (*Monthly Review*, Moscow Narodny Bank, February 1934).

Soviet Russia to be Asiatic as well as European, this trend is probably connected with an ultimate aim of extending the doctrines of the Third International into India, China and Japan. A premature attempt on China failed, for the Chinese were as difficult to hurry as the Russian peasant.

But here we touch on Russian foreign politics, a subject which we shall discuss in Chapter XIII.

One of the most interesting of all contemporary movements at the end of 1934 was the spectacle of Russia swinging to the right in the practice of her radical philosophy. On January 1st, 1935, the ration system was abolished, and in the speech announcing this decision M. Molotov, Chairman of the Council of People's Commissars and a member of the Political Executive of the Communist Party, said :¹

"Why did we introduce food cards six years ago? Because we wished to enable the process of rapid industrialization to go forward at the rate prescribed by the Party, despite the state of agriculture at that time. . . . In order to prevent the failure of agriculture from causing a collapse of industry, we were obliged to ensure that bread would be available for the workers in the towns and in the agricultural areas which produce raw materials for light industry. The rationing system meant the allotment to workers of specified quantities of bread, flour, meal and a number of other food-stuffs at prices much lower than those obtaining for non-rationed sales or asked by the peasants at the open markets in the towns." ²

All this, M. Molotov continued, had necessitated the building up of an enormous organization which, he would estimate, cost over 300,000,000 roubles a year. Although the system had had its value during the past years as a means of feeding the urban population and

¹ See *Izvestia*, November 29th and 30th, 1934, and December 8th, 1934.

² He said : "The number of persons (including dependants) benefiting by the scheme had been 26,000,000 in 1930 and 40,300,000 in 1934. With the addition of students, pensioners, members of craftsmen's co-operative societies, etc., the total now exceeded 50,000,000 out of a population of roughly 170,000,000. This included soldiers, police, industrial workers, technicians, civil servants, and their families. In addition, the state sold cereals at very low prices to cultivators in the industrial crop areas (cotton, flax, tobacco, etc.) in order to keep up their interest in their work.

enabling the work of industrialization to go forward, the Communist Party now agreed with M. Stalin that it had had its day and should disappear. He declared that whilst rationed bread was sold extremely cheap, and the prices on the open market were high, the whole procedure of rationing gave rise to great difficulty, entailed too much bureaucracy, and left room for all sorts of abuse. He announced that it was in the interest both of the state and of the agricultural population to replace the rationing system by the unrestricted sale of bread at fixed prices by the state, and that as the state had a direct hold on the greater part of agriculture through the collective and state farms, it was thus easier than formerly to obtain grain from the producers.¹ M. Molotov pointed out that the state, though realizing the need for a more rapid increase in the number of its retail shops, particularly for the sale of bread, was capable of supervising and encouraging internal trade by fixing selling prices adapted to the interests of the community as a whole. He said this would increase the importance of wages in industry, and special attention would be paid to wage problems, since despite the formal instructions of the Communist Party and the Government, a very superficial attitude existed towards money. He pointed out that as long as the cash wage was not the most important part of remuneration for labour—and it could not be so while the rationing system persisted—the importance of wages in production was underestimated. Henceforward, wages would become the essential factor; an increase in wages would be the principal means of improving the output of workers and salaried employees; and this would entail a further

¹ M. Molotov remarked that although agricultural output had increased but little in recent years, the quantity set aside for supply to the towns had increased from 650 million poods in 1928 to 1500 million in 1934; that the wholesale and retail trade also was now almost entirely in the hands of the state or the co-operative movement; that in 1928 there had still been 218,000 private shops, and only 123,000 state and co-operative shops, and private trading had still been responsible for 22 per cent. of all internal trade; and that the number of state and co-operative shops had reached 283,000 whilst private trading had almost disappeared.

increase in the importance of wages in the industries concerned.

"The fact that the official bread price will vary from region to region," concluded M. Molotov, "means that salary increases will vary also. Such variation is essential, and only goes to show how impossible it is to keep all wage rates uniform. We must admit that the middle-class idea of wage standardization is not easy to root out; but rooted out it must be, for if standard wages are not abolished it will be impossible to operate a system of payment for labour such as will favour the best workers, those who honestly do their bit; and such a system is in the interest not only of the workers, but also of the whole proletarian state."

So it came about that at the beginning of 1935 whilst men in London and Washington were talking in terms of a "planned economy," the Communists in Moscow were adopting a slogan which sounded suspiciously like: "Back to Adam Smith."

In 1935 the internal problems of Russia were immense and far-reaching. Years of planned production were needed before the consuming capacity of her growing population¹ could be even partially satisfied. This fact was forgotten by those who professed to fear that the world market would be swamped by surplus Russian production. In 1935 it seemed that what both the Capitalist world and Russia needed was the extension of credits to Russia in order to enable her to import more machinery. Moreover, when Russia becomes self-supporting in the basic needs of industrial life and the standard of living of her millions rises, there will be an ever-increasing demand for the finer quality goods produced in Western Europe and the U.S.A. We may yet live to see the sartorially particular Commissar step out of his Rolls-Royce and flick a speck of dust off his suit of English cloth.²

¹ 160.5 million in 1930; 168.0 million in 1933.

² Since that sentence was written a broadcast from Moscow has informed clothes-conscious workers that the state clothing stores are now in a position to supply large quantities of dinner jackets, and that the "cultured worker" must realize that such clothes should be worn at the opera.

Conclusion

During *Our Own Times* Russia had experienced what it became fashionable after 1933 to call a "New Deal." The whole Western world had a New Deal, and in a sense this study is a record of how the nations behaved as they worked out their interpretation of those "Deals." If we are asked to define what we mean by these words "New Deal" we shall say that in general it is a phrase used to describe the latest attempt to solve that problem of Man and Himself we discussed in the *Prelude* (Volume I); in particular the term is used to denote the various attempts made by communities at various stages of political and economic evolution to effect a transition from nineteenth-century conditions and social ideals to the conditions and ideals considered befitting to the twentieth century. We have just completed a sketch of how Russia began her New Deal, how a small and resolute body of Communists seized hold of the war-battered shell of the Russian Empire and began to build within the ruins a federation of Socialist states in which no private individual might, to any significant degree, own the means of production. These Communists were fanatically determined to cast out first from Russia and then from the world that Western form of private capitalism which Peter the Great had brought back from his foreign travels. We have seen that at the end of *Our Own Times* the Communists had succeeded in their ambition to socialize Russia to an extent which in 1921 would have seemed almost fantastic. This success had been achieved in face of foreign opposition and organized internal resistance, as well as the inertia of a vast, illiterate and capitalist-minded peasant population. Though the Communists had been obliged to abandon or at least postpone their plans to reform the world, Western capitalism had also been obliged to abandon its plans to extirpate Bolshevism.

At the end of *Our Own Times* the most interesting phase of the Russian Revolution was yet to come. Experts might argue until they were black in the face as to

the precise extent to which the Communist Party had succeeded in its attempt to plan and industrialize Russia, and so lay the technical foundations for a socialized state. That was not the important issue. Within the limits imposed upon the Communists by the character of the people of the U.S.S.R., the economic structure was being industrialized and socialized; and the standard of living was rising. Up to 1935 the Communists had been able to maintain intact their central principle, which was ownership by the community of the means of production. But as the results of production accumulate, two problems are likely to cause anxiety to the central executive. One will be technical, the other political. The technical problem will be that of determining the direction of capital investment. This inherent difficulty in a planned economy is further discussed in Chapter XV. The political problem will be whether, as the standard of living rises, and the political consciousness of the masses increases, Communist principles will stand the strain.

Here is to be divined the problem of Man and Himself as it will present itself in Russia. That problem, like the ceaseless murmur of the sea waves upon the coast, resounds as an eternal and underlying accompaniment to the story we tell in these pages.

Lenin came to Russia to inaugurate a crusade against Western Capitalism, and he found himself obliged to mechanize and industrialize the Russian peasant. But has not the prophet Marx declared that all history is the fruit of materialism? How, then, if Russia is to be "materialized" shall her history differ from that of those capitalist nations whose social evils are the fruit (according to the Marxian doctrine) of materialism? Can a man serve God and Mammon? Can the state serve Mammon and the individual be left to worship God?

Can Russians operate a socialistic state on a democratic basis?—for ultimately a general raising of the standards of life achieved by dictatorial methods inevitably generates forces which demand freedom of thought and discussion. When people are starving and illiterate the belly dominates

the mind, but once the body has been provided for, the mind demands sustenance and freedom of expression. From the moment when the British first began to busy themselves with the problem of the "forgotten man"¹ in India they made inevitable the Government of India Bill of 1935. So in Russia, the faster the increase in the number of industrial plants, hydro-electric stations, mechanized farms, broadcasting stations, railways, roads, schools, hospitals and newspapers, the sooner will the central directing authority have to take account of the growth of an informed public opinion. Terrorism will be useless as a permanent method of control, a consideration which, so far as the evidence went, did not in 1935 seem to have been fully appreciated by the leaders of the Communist Party.²

ANNEX TO CHAPTER VIII

The Tables printed below indicate statistically the development of the agricultural programme in the U.S.S.R. It is often said that Soviet statistics are unreliable, and no doubt this is true in view of the size of the country and the shortage of trained personnel; but it is certain that the Russian statistics are as accurate as the Russians can make them, simply because the foundation of all planning is statistical data.

¹ Roosevelt's expression.

² On the other side of the balance-sheet must be recorded the fact that it was announced in February 1935 that widespread electoral reforms would be initiated. The secret ballot was to be introduced; direct election was to be employed for all higher Soviet assemblies, and the vote of the urban worker was to be equal to that of the peasant instead of being equivalent to that of five peasants.

Our Own Times

TABLE V

SOWN AREA OF ALL CROPS IN THE U.S.S.R.

(In millions of hectares)

	1913	1929	1930	1931	1932	1933
Total sown area	105.0	118.0	127.2	136.3	134.4	129.7
Including—						
(a) Grain . . .	94.4	96.0	101.8	104.4	99.7	101.5
(b) Technical . .	4.5	8.8	10.5	14.0	14.9	12.0
(c) Vegetables . .	3.8	7.6	8.0	9.1	9.2	8.6
(d) Fodder . . .	2.1	5.0	6.5	8.8	10.6	7.3

SOWN AREA OF TECHNICAL CROPS IN U.S.S.R.

(In millions of hectares)

	1913	1929	1930	1931	1932	1933
Cotton	0.69	1.06	1.58	2.14	2.17	2.05
Flax (long fibre) . .	1.02	1.63	1.75	2.39	2.51	2.40
Sugar-beets	0.65	0.77	1.04	1.39	1.54	1.21
Oil-seed	2.00	5.20	5.22	7.55	7.98	5.79

TABLE VI

GROSS PRODUCTION OF GRAIN AND TECHNICAL CROPS IN U.S.S.R.

(In million centners)

	1913	1929	1930	1931	1932	1933
Grain	801.0	717.4	835.4	694.8	698.7	898.0
Cotton (raw) . . .	7.4	8.6	11.1	12.9	12.7	13.2
Flax (fibre)	3.3	3.6	4.4	5.5	5.0	5.6
Sugar-beets	109.0	62.5	140.2	120.5	65.6	90.0
Oil-bearing plants	21.5	35.8	36.2	51.0	45.5	46.0

TABLE VII
COLLECTIVIZATION OF THE PEASANTS

	1929	1930	1931	1932	1933
Number of collective farms (in thousands) . . .	57.0	85.9	211.1	211.05	224.5
Number of households in collectives (in millions) .	1.0	6.0	13.0	14.9	15.2
Percentage of collectivized peasant households .	3.9	23.6	52.7	61.5	65.0

TABLE VIII
SOWING AREAS ACCORDING TO SECTORS
(Grain sowings in millions of hectares)

Sectors	1924	1930	1931	1932	1933	Percentages of total area in 1933
1. State farms . . .	1.5	2.9	8.1	9.3	10.8	10.6
2. Collective farms .	3.4	69.7	61.0	69.1	75.0	73.9
3. Individual peasants	91.1	29.2	35.3	21.3	15.7	15.5
Total grain sowings in U.S.S.R. . . .	96.0	101.8	104.4	99.7	101.5	100

TABLE IX
NUMBER OF TRACTORS IN AGRICULTURE IN THE U.S.S.R.
(Taking into account amortization)

	1929	1930	1931	1932	1933
Total No. of tractors (in thousands) . .	34.9	72.1	125.3	148.5	204.1
Power (in thousands of horse-power) .	391.4	1003.5	1850.0	2225.0	3100.0

CHAPTER IX

THE MIDDLE EAST

"They cease not fighting East and West
On the marches of my breast."

A. E. HOUSMAN, *A Shropshire Lad*.

"The problem now is not how to keep the Turkish Empire permanently in being . . . but how to minimize the shock of its fall, and what to substitute for it."—VISCOUNT BRYCE.

IF a line be drawn so as to run from Constantinople east to Samarqand, thence south through Herat, Jask and Muscat to Aden, thence to Cairo and so back to Constantinople, it would enclose an area of approximately a quarter of a million square miles. Within this area are to be found to-day the sovereign states of Turkey, Iraq, Persia, part of the U.S.S.R., the sheikdoms of the Persian Gulf and the kingdom of Ibn Saud in Arabia, also the kingdom of Egypt and the three mandated territories of Palestine, Syria and Transjordan.

This area is the Middle East, the land bridge between Europe and Asia, the birthplace of two great religions—Christianity and Islam; the traditional site of the Garden of Eden; the home of the oldest civilizations yet unearthed by the archæologist; the cradle of written history; the centre of the world.

In the year 6000 B.C. the Middle East and its inhabitants were prominent in human history, and nearly 8000 years later the affairs of the Middle East were still of great significance. Where Alexander the Great had once marched and sailed, in 1935 the aircraft of Imperial Airways roared above the deserts carrying passengers and mail between London and the Pacific terminals of the Empire routes.

In the first volume of this study we have discussed the break-up of the Turkish Empire, which at the outbreak of the Great War exercised a shadowy sovereignty over

Egypt and Arabia and a more real control over Palestine and Mesopotamia. Shorn of its outlying lands the Turkish Republic, under the invigorating nationalism of the Ghazi, Mustafa Kemal, took on a new lease of life, and at the close of *Our Own Times* New Turkey presented the appearance of a compact, vigorous and self-respecting national unit. What of the remaining areas in the Middle East? After the Great War some of them passed under the control of Western Powers through mandates granted by the Council of the League.

1. The Four Mandates

Before we discuss the developments of the Middle East mandates it is necessary to remind the reader that, as mentioned in Volume I,¹ the post-War situation was complicated by arrangements² which had been reached between France and Great Britain as to the disposal of the Turkish Empire, and the undertakings given by Great Britain to the Sherif of Mecca in 1915 in order to win his support against the Turks. The Arabs subsequently claimed that the British Government had envisaged the formation of an Arab Empire.

These War agreements—like those contained in the Secret Treaty of London (1915)—were destined to complicate a settlement which had to be made eight years later when unforeseen circumstances, such as the revival of the Turkish Empire and the emergence of King Ibn Saud, had to be taken into account. They were, moreover, difficult to reconcile with the principles which were to govern the future of these peoples as set forth in Article XXII, Section 4 of the Covenant. The gist of these principles was that communities which had been part of the Turkish Empire had reached a stage of development at which they could be provisionally recognized as independent nations subject to administrative advice and assistance by a mandatory power. The choice of the mandatory was to be in accordance with the wishes of the community in question. Between the

¹ See p. 94 and pp. 176–177.

² The Sykes-Picot Agreement, May 16th, 1916.

end of the War with Turkey in 1918 and the Conference of San Remo in April 1920, there was a three-sided controversy between Great Britain, France and the Arabs as to the future destiny of the area vaguely known as Syria. This area comprised the rectangle of land where the continents of Europe, Asia and Africa meet, bounded on the north by the Taurus Mountains, on the east by the Syrian Desert, on the south by the Sinai Desert and Peninsula, and on the west by the Mediterranean. Some Arabs claimed that the whole of this historic area, with the possible exception of Palestine, should be formed into an independent state of Syria with its capital at Damascus, federated with an Arab Empire under the suzerainty of the Sherif of Mecca. With this end in view the Emir Feisal had made a triumphal entry into Damascus in October 1918, and—with the acquiescence of the British—had proclaimed an independent Syria. During the Peace Conference and in the ensuing year, it became abundantly clear that a greater Syria of this kind was incompatible with the British policy of establishing a national home for the Jews in Palestine, and with the long-standing ambitions of France with regard to her special interests in Syria as defined under the Sykes-Picot arrangement. Meanwhile the Syrians, disappointed by what they considered Great Britain's failure to implement her war-time promises, indicated to the King-Crane Commission sent out to investigate the problem that, failing independence, they would accept an American, or even a British, but in no case a French, mandate. Eventually at the San Remo Conference in April 1920 a compromise was reached by which the area in dispute was divided into three separate mandates, of which the two southern, Palestine and Transjordan, were entrusted to Great Britain, and the northern, Syria, was given to France. Great Britain was also given the mandate over Iraq.¹

The first result of this decision was that the Emir Feisal, still in occupation of Damascus, refused to accept the

¹ The Mesopotamia of "blessed" memory. Note for post-War readers: this is a pre-War joke.

French mandate and declared himself King of Syria and Palestine. In 1920 the French drove him out of Damascus and established the San Remo award by force of arms. We will now review the subsequent history of the four mandates in greater detail.

(a) *Palestine*

Ever since the great dispersion in the year 135 the hope had remained alive in Jewry that one day the prophecies would be fulfilled and that the members of that talented and persecuted race would be restored to the land of their fathers.

In 1897 Herzl had founded the Zionist Organization in order to promote the settlement of Jews in Palestine, then a Turkish province; but it was not until the Great War rent western civilization in twain that the restoration of the Jews to Palestine became practical politics.

In 1915 Sir Herbert Samuel presented a memorandum to the Cabinet on the subject of the establishment of a National Home for the Jews in Palestine, and the matter made further progress during 1916 when France and Great Britain were engaged in deciding how they would dispose of the Asiatic provinces of Turkey. It was laid down in the "Sykes-Picot Agreement" that France should have Syria, a part of the world in which she claimed to have special interests, which were in fact of a shadowy nature, whilst Great Britain was to have Baghdad and Southern Mesopotamia. As to Palestine, it was understood that the territory should come under some kind of international control. At this juncture the Zionist Organization, led by a genius in the person of Dr. Chaim Weizmann, came into close relationship with the British Government as well as with that of France, with the result that on November 2nd, 1917, a letter from Mr. Balfour to Lord Rothschild was published which contained the following observations:

"His Majesty's Government view with favour the establishment in Palestine of a national home for the Jewish people, and will use their best endeavours to

facilitate the achievement of this object, it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine or the rights and political status enjoyed by Jews in any other country."

A similar pledge was made in the House of Commons.

The purposes of this original action on the part of His Majesty's Government were various. In part it was due to that sense which is inherent in English statesmanship that the British are the agents of destiny. The Balfour Declaration seemed a great act of international justice, of idealistic Liberalism towards the chosen people, made by a race which in its heart of hearts also feels it is "chosen" to play a peculiar part in world history. Fortunately, for the peace of mind of the realists, it was also possible to interpret the declaration as a shrewd stroke of policy calculated to enlist the sympathies of the Jews all over the world (perhaps even Central European and German Jews) with the allied cause. Moreover, it suggested that British control would remain paramount in the land to the north of Egypt and of the Suez Canal, that artery of the Empire upon whose waters the Turkish troops had impiously and wonderfully launched pontoons in 1915. The disadvantage of the British Government's policy was that it antagonized both the Arabs dwelling in Palestine and those who had co-operated with Great Britain against the Turks on the understanding that an Arab Empire would be one of the fruits of a war fought for the principles of self-determination. The Palestinian Arabs feared that they would be dispossessed by the immigrating Jews, and these fears were translated into anti-Jewish riots when the mandate was given to Great Britain in April 1920.

For the next nine years the British Government endeavoured to introduce the beginnings of self-government into Palestine, but since this involved the co-operation of Jews and Arabs, and since the two races were still hostile to each other, the first attempt in 1922 to set up a form of Parliament had to be abandoned. Materially, the mandated

territory prospered exceedingly, a state of affairs due in part to the benefits of honest British administration and in part to the influx of Jewish skill and capital. The immigration of Jews was from the outset controlled by the mandatory power, and the numbers admitted always seemed too few to the Jews, too many to the Arabs. In 1933 the problem of Jewish immigration assumed more formidable proportions owing to the anti-Semitic policy of the Nazis in Germany. The Government had to steer a middle course between the Arabs, who were violently opposed to an increase in the number of Jews in Palestine, and the Jews of the Dispersal who regarded Palestine as the obvious refuge for every Jewish emigrant in times of persecution. The course pursued was to permit the immigration of as many Jews as was consistent with the economic capacity of the country to absorb them. This policy, stigmatized by the Jews outside Palestine as restrictionist, resulted in the settlement of over 38,000 Jews in Palestine during 1934 as compared with about 5000 in 1930 and 4000 in 1931. Whatever the political merits or demerits of this policy, its economic benefits to Palestine as a whole were indisputable. Palestine enjoyed the unique distinction of passing through the world crisis practically unscathed.¹ Jewish capital poured into the country. It was estimated in 1934 that since 1920 over £50 million had been invested in Palestine. Even the Jews expelled from Germany were allowed to take with them capital, or property, to the value of £1000—on condition, in the case of capital withdrawals, that the money was used to finance imports from Germany. The result was a very great expansion of economic activity, particularly in commercial and industrial undertakings. In the ten years between 1923 and 1933 the Jewish population increased from 85,000 to 230,000 until it constituted more than half of the industrial population. Amongst the more outstanding achievements of the Jewish community was the growth of Tel Aviv, which from being a suburb of Jaffa with 2000 inhabitants became a town of some 80,000. The

¹ The Arabs suffered to some extent from the fall in the price of cereals.

development of the citrus industry resulted in a growth in the export of oranges from 2 million cases a year in 1923 to 4½ million in 1933. During 1933, 133 new factories were started, of which 65 were situated at Tel Aviv.

This state of prosperity was reflected in the finances of the country. The civil administration not only paid its way, but also accumulated a surplus out of which it paid off the Palestine share of the Ottoman Debt and bought up the old French railway from Jaffa to Jerusalem.

In view of the satisfactory economic progress of the mandated territory it was a shock to British public opinion to receive the news in August 1929 that violent anti-Jewish rioting had broken out in Palestine, and that considerable loss of life ¹ had taken place before the Government was able to regain control over the situation.

A commission of inquiry sent to investigate ² reported that the fundamental cause of the outbreak was the fear of the Arabs that the steady increase in the number of Jews and the rate at which the Jews, through their organizations, were purchasing land, would eventually undermine the whole basis of Arab society in Palestine. The Commission made various recommendations, of which the chief was that the mandatory power should issue a clear statement as to its policy on such vital matters as Jewish immigration and land tenure.

It should be remarked here that when in due course Great Britain presented the Permanent Mandates Commission at Geneva (Seventeenth Extraordinary Session, June 1930) with its account of these events, that League body issued a report which contained "somewhat serious criticisms" of the behaviour of the mandatory power. These criticisms—to which the British Government issued a vigorous reply—amounted to a charge that the British had not encouraged co-operation between Jews and Arabs and had been inactive in their obligations towards both Jews and Arabs.

¹ Approximately 133 Jews and 116 Arabs were slain. The immediate cause of the disturbance was a religious dispute between Moslems and Jews at the Wailing Wall.

² The Shaw Commission. See Cmd. 3530. 1930.

After the outbreak of 1929 it was decided to make a new attempt to bring Arab and Jew together in some form of representative government, and the Colonial Office announced that a Legislative Council would in due course be constituted, but that in the first place there must be a thorough reorganization of the municipal governments. By the end of 1934 this reorganization had been carried out, but a scheme for the Legislative Council had not yet appeared.

(b) *Transjordan*

Amongst the parts of the dismembered Turkish Empire handed over under the Peace Treaties to be administered under mandate was the country lying along the east bank of the Jordan from the southern boundaries of Syria to the head of the Persian Gulf. The main reason for its establishment as a British mandate was to enable it to act as a buffer state between Palestine and the raiding tribes of the Arabian desert. The Government of Transjordan then set up was in many ways comparable to that of one of the Native states of India. The country was ruled by its own Emir, but with the advice of a British resident who controlled the budget. The defence of the country, including the patrolling of the Transjordan section of the Mosul pipe line, was, like that of Palestine, entrusted to forces under the command of British officers. In all other respects the administration was in the hands of the Arabs, aided by a small number of British advisers. Under this régime Transjordan made considerable progress. The results of the world depression upon agriculture were to some extent offset by improvements in communications which enabled the agriculturalists to market their grapes and vegetables in Palestine. The main problem which faced Transjordan in 1935 was the extent to which it would be practical to use it as an overflow for the surplus population of Palestine.

(c) *Syria*

The story of the French mandate of Syria—the northern part of the whole area historically known as Syria—started

with the occupation of Damascus in 1920. One of the first steps taken was to subdivide the area into five provinces: Lebanon—the coastal area, included all the chief ports; Jebel Druse—the mountainous district on the south; the two small provincial districts of Latakia and Alexandretta on the extreme north of the coast; and the state of Syria, comprising all the remainder with its capital at Damascus. This subdivision, additional to the San Remo division of historic Syria, was the chief political grievance of the Syrian Nationalists, who maintained that the French sought to establish their power by fostering particularism and indulging in favouritism, especially with regard to the Lebanese. The French proceeded to rule and develop the country with their customary thoroughness, a process involving a considerable increase of taxation. The administration was not—as in the British mandate of Palestine—direct, but was conducted by carefully selected native administrators with the help of French advisers. The five provinces were unified within a single customs area, and were given a common currency. One of the major economic grievances of the population was that the new currency, issued by the Bank of Syria, linked the Egyptian £ to the franc, which was then greatly depreciated. Sporadic outbreaks occurred from time to time, but the culminating point was reached with the rebellion of the wild tribes of the Druses in 1925. General Sarrail, then High Commissioner, had antagonized not only the Druses, but a large section of the mandated population by his high-handed methods, and the rebellion quickly spread. It was a savage contest on both sides, as the French employed not only Armenian and Cilician mercenaries, but imported Senegalese troops. A revolt in Damascus against the garrison was followed by a French bombardment of the ancient city, an incident which shocked the civilized world. General Sarrail was recalled and replaced by M. de Jouvenel, the popular editor of *Le Matin*, who endeavoured to pacify the population, but with only partial success. In March 1926 the Mandates Commission of the League investigated the whole question, and in the course of giving evidence

before them, M. de Jouvenel stated that the ultimate aim of French policy was to negotiate with Syria a treaty of alliance and friendship to replace the mandate. This, the first declaration of the kind, was hailed with relief in Syria, and the second period of the French mandate began. Progress, however, was slow. The Druse rebellion dragged on intermittently until 1928. In April 1928 elections were held for a constituent assembly in the state of Syria. A large majority of Nationalists was returned and drafted a constitution, which proved unacceptable to the French, and the assembly was forthwith dissolved. After a lapse of fifteen months the French High Commissioner published and promulgated five constitutions, one for each of the provinces, including the state of Syria. The Syrian one was identical with that proposed in 1928, except for a clause stating that it would not come into force till a Franco-Syrian treaty had been negotiated. After another eighteen months, elections were held to constitute a Syrian Government. There was a great deal of trouble over the elections, the Syrians alleging that undue influence was being used, but the Chamber as finally constituted contained a large majority of Moderates, pledged to co-operation with France. It proceeded to select a Cabinet and a President with whom, in November 1933, the French negotiated a Treaty of Alliance, supposedly on the Anglo-Iraqi model. Like the Anglo-Iraq Treaty it provided for the termination of the mandate in four years, at the end of which period Syria should become a member of the League. But in addition, the treaty contained features such as the retention of the capitulations, and a blank cheque as to the numbers and distribution of the French defensive force, which left the independence of Syria during the period of the treaty—twenty-five years—hedged about with safeguards. It is only fair to France to point out that the treatment which the Assyrian minorities received in Iraq after the termination of the British mandate gave grounds for the retention of such safeguards. This treaty was rejected with indignation by the Moderates as well as by the Nationalists in the Chamber, which was forthwith dissolved. The position in January 1935 was one of stalemate.

(d) *Iraq*

Ever since the establishment of British rule in India the situation in the Mesopotamian basin has been of interest to this country, and for over a century the British Navy has dominated the Persian Gulf. In the years immediately preceding the War the German "Drang nâch Osten" policy of acquiring political and economic influence over Turkey, and so establishing control of the projected Berlin to Baghdad railway, had been regarded with much suspicion in London. The discovery of the Persian oil-fields and their exploitation by a company in which the British Government was a substantial shareholder, added to the strategic importance of this area. Finally, it was evident at the end of the War that in the coming air-age Mesopotamia was going to be an important link in Imperial communications.

In 1920 Iraq was assigned as a mandated territory to Great Britain. The Iraqis—who, in common with Arabs in other parts of the Middle East, had been under the delusion that emancipation from Turkey would mean complete independence—promptly revolted, and the rebellion against the mandatory control was only suppressed with some difficulty. Some concession was made to Arab feeling when the British arranged for the accession to the throne of Iraq in August 1921 of Feisal, the most energetic of the sons of Hussein, Sherif of Mecca, one of the Arab rulers whom Great Britain had encouraged to overthrow the rule of the Turk.¹ We have already mentioned the unfortunate experiences of Feisal at the hands of the French in Syria, and as the British had found it impossible to support him against France, the gift of the throne of Iraq was somewhat of the nature of a well-deserved consolation prize.

When King Feisal was seated on his throne a treaty was

¹ Unfortunately, in backing Hussein and his sons as potential rulers of the Arab world (under British influence), the British Foreign Office left out of its calculations Ibn Saud, who was to destroy the Hussein faction. However, the India Office subsidized Ibn Saud, so that British policy had a bet on both starters for the overlordship of Arabia.

concluded in 1922 between the King and Great Britain. In this treaty the eventual admission of Iraq to the League of Nations was contemplated. Relations between Great Britain and the Iraqis remained unsatisfactory until the mandatory power agreed that in any event it would support the admission of Iraq to the League in 1932. In anticipation of this event a Treaty of Alliance and mutual support was concluded between Iraq and Great Britain in January 1931.

Not long afterwards the new sovereign state achieved notoriety by grossly ill-treating the Christian Assyrian minority which dwelt within its borders, a community which had been very loyal to the British administration, especially as soldiers. With the removal of British control, the Assyrian position became impossible and some of them endeavoured in July 1933 to migrate into the French mandated territory of Syria. Rejected in this quarter they fell foul of the Iraq Army and many Assyrians were massacred. At the beginning of 1935 attempts were being made under the auspices of the League of Nations to find means of settling the Assyrian community in some other part of the world.

2. The Egyptian Question

Whereas the mandated territories we have considered above only came into the story of Our Own Times in the post-War period as a consequence of the dissolution of the Turkish Empire, the story of Egypt, or rather the international problem of "modern Egypt," goes back to the middle of the nineteenth century. By 1914, though Egypt was theoretically a part of the Turkish Empire, the suzerainty of the Sultan of Turkey had been purely nominal for over seventy years.

It is outside the scope of this study to explain the course of events which brought France and Great Britain into conflict in Egypt, or the reasons for the bombardment by the British Fleet of Alexandria in 1882; the Fashoda incident of 1896 and other famous episodes of Middle East nineteenth-century history, which were the frictional heat

of the grinding together of the Imperialistic policies of Great Powers. It must suffice to say that in 1904, as a consequence of the *Entente Cordiale* between France and England (an understanding brought about by the German "menace"), France recognized that Egypt was in Great Britain's "sphere of influence," whilst Great Britain agreed not to interfere with French policies and ambitions in Morocco. Great Britain attached extreme importance to the safety of the Suez Canal as a vital part of her sea-communications to the East, and in 1914 exercised complete control in all essential departments of Egyptian Government. The outbreak of hostilities between Turkey and Great Britain led the British Government to declare a protectorate over Egypt.

In the stress of war, during which the Turks endeavoured to invade Egypt, the British administration in Egypt paid scant attention to local susceptibilities and became very unpopular even amongst the peasants, who, as is the way of subject peoples, showed a traditional and understandable ingratitude for all the material benefits they had enjoyed as a consequence of many years of British control. At the end of the Great War there was a world-wide movement for "self-determination," and the Egyptians were no less desirous than any other peoples of becoming independent. A rebellion having failed in its immediate purpose, the British announced in 1922 that Egypt was independent—subject to four reservations, which were :

- (a) The security of the communications of the British Empire and Egypt.
- (b) The defence of Egypt against all foreign aggression or interference, direct or indirect.
- (c) The protection of foreign interests in Egypt and the protection of minorities.
- (d) The Sudan.

Since that time the story of Anglo-Egyptian relations can be summarized as follows :

The Nationalist, or Wafd, Party (cf. the Sinn Fein Party
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in Ireland) refused to accept the reservations. Twice, in 1927-28 and 1929-30, efforts were made to bring about the signature of a treaty between Great Britain and Egypt, but without avail.¹ The Egyptians wanted genuine independence; the British were prepared to give it to them—with reservations.

Between 1922 and 1934 Egypt was in the difficult position of constantly demanding more freedom while proving herself incapable of utilizing the amount of freedom she already enjoyed. There were on the one hand constant complaints about limitations imposed on her sovereignty in administrative matters by the system of capitulations. Financial administration, never the strong point of Oriental peoples, was hampered by the necessity of consulting a dozen governments before a tax could be imposed, for example, on motor-cars or cinemas. On the other hand the democratic constitution adopted in 1923, as manifested in some of the Wafd administrations, led to widespread corruption and constantly unbalanced budgets.

In 1930 King Fuad took the law into his own hands, suspended the 1923 Constitution, replaced it by one of his own and, with Sidky Pasha as his Prime Minister, reverted to the system of Palace government which existed before the British occupation. The important position of Chief of the Cabinet—quite distinct from that of Prime Minister—was, after the resignation of Tewfik Nessim Pasha in 1931, left vacant, its duties being performed unofficially by the unpopular favourite named Ibrashi Pasha. The Wafd Party and all the democratic Moderates went into opposition and refused to take any part in the Government unless the Constitution were restored. The King of Egypt further widened the breach between himself and the politicians

¹ As an instance of how small matters may have great consequences, the writer heard a very curious story which was told him by a participant in one of the Anglo-Egyptian Conferences. It was to the effect that Zaghlul Pasha, the Wafd leader, was armed with authority to effect a settlement, but negotiations were hung up for a few days owing to the temporary indisposition of a member of the British Cabinet. Some of Zaghlul Pasha's colleagues took advantage of this delay to undermine their leader's position, and when negotiations were resumed Zaghlul was obliged to admit he could no longer accept the proposed agreement.

when in January 1934 he insisted that all candidates for the ministry must take an oath of fidelity not only to the King, but to the King's Constitution of 1930. In the spring of 1934 the failing health of the strong and capable Sidky Pasha, and also of the King, caused a situation which gave rise to the greatest anxiety. Egypt was threatened with a period of chaos, if not of civil strife, and on all sides, except amongst the more extreme members of the Wafd Party, hopes were expressed that Great Britain would take some step which would ease the deadlock. The Egyptians maintained, not without some justification, that as long as Great Britain kept troops in Egypt she must assume some measure of responsibility, since the mere presence of the troops prevented the normal interplay of political forces. In October 1934, after King Fuad had been ill for months, there was a wave of feeling against the continuance of what was practically the dictatorship of the favourite Ibrashi Pasha. The Prime Minister, Yehia Pasha (who had succeeded Sidky Pasha), consulted the acting British High Commissioner, who suggested that the official post of Chief of the Cabinet should be revived as a check upon the favourite's power. This provoked a political crisis, and in the following month the Yehia Cabinet resigned, leaving the way open for the termination of the Palace régime. King Fuad, after a period of stubborn opposition, realized that further obstinacy might cost him his throne, and accepted a Cabinet of moderate constitutionalists under Tewfik Nessim Pasha. A few days later, in accordance with the conditions laid down by Nessim Pasha before accepting office, the Constitution of 1930 was abrogated.

The end of *Our Own Times*, therefore, found Egypt at the dawn of what might be a period of constitutional government, although in January 1935 there was ample evidence that the power of the Wafd (Nationalist Party) was undiminished, and that it was with this Political Party that Great Britain would have to conclude any agreement concerning the four reserved points if the matter was to be settled in a manner acceptable to the bulk of Egyptian political opinion.

3. *Persia*

Our Own Times have witnessed the transformation of the status of Persia from that of a mere pawn in the game of Western Imperialism to that of an independent modern state.

Before the War, Persia was regarded as a buffer state between rival Western Powers in Asia. Russia desired to establish a financial and economic protectorate, and Great Britain wished to maintain her hold on the Persian Gulf and preserve a neutral zone between Russia and the frontiers of the Indian Empire. In the early years of the twentieth century Germany entered the field, an event which helped to bring about the Anglo-Russian Agreement of 1907 under which Persia was divided into zones of influence—the Russian zone in the north-west, the British in the south-east, and a neutral zone between them. This arrangement, while contributing to promote Anglo-Russian friendship, was regarded by the Persians as the first stage of an eventual partition.

During the War, Persia endeavoured to preserve her neutrality, but was occupied by the forces of Russia in the north and by those of Great Britain in the south. The withdrawal of the Russian armies immediately after the Bolshevik Revolution in 1917 led Great Britain to establish a protective cordon right through the country to protect India from the influence of Turkey, Germany and Bolsheviks alike. Persia sent a representative to the peace conference at Paris and unsuccessfully demanded the abrogation of the 1907 Treaty, economic independence, reparations for the damage inflicted by the various armies of occupation, and frontier readjustments. In 1919 an Anglo-Persian Agreement was mooted which was considered by the Persian Nationalists to be little short of a veiled protectorate, and met with violent opposition. Following a successful incursion of Bolshevik troops who were actively assisted by the Persian Cossacks, this wave of anti-British feeling resulted in a Treaty between Persia and Soviet Russia in 1921. 1922 saw the rise of Persia's "Ghazi," or leader, one

Riza Khan Pahlawi, who in the short space of three years not only transformed Persia into a modern state, but rose himself from trooper to Shah. Riza Khan Pahlawi, like Mustafa Kemal Pasha, whom he greatly admired, was a believer in Western methods, but not in Western control. In 1923, when the reigning Shah was abroad on a visit to Paris and the Riviera of indefinite length and considerable expense, the Persian Parliament, or Mejliss, which had had a sporadic existence since it first came into being in 1906, made Riza Khan Prime Minister, and there was even some idea of creating him President of a Persian Republic. This latter project was dropped owing to the reaction against Republicanism which followed the abolition of the Caliphate by the Turkish National Assembly at Angora in 1924; but the following year—1925—the Persian National Assembly deposed the reigning dynasty and proclaimed Riza Khan Pahlawi as the first Shah of a new dynasty. Between his accession to power in 1922—when he was Commander-in-Chief and Minister of War—and 1928, Riza Khan Pahlawi reorganized the army, established the authority of Teheran over outlying tribes, and finally announced in May 1928 the abolition of the system of capitulations, under which foreigners enjoyed extra-territorial legal rights. The acquiescence of the Western Powers was secured by commercial concessions.

After 1928 the guiding principles of the policy of modern Persia were those of modernization and independence. The rights of foreigners were watched with jealousy lest they should prove incompatible with the interests of the new Persia. An outstanding example was the dispute with the Anglo-Persian Oil Company which came to a head when, in November 1932, the Persian Government withdrew the D'Arcy Concession of 1901, which had been taken over by the Anglo-Persian Company in 1909. The reason for this action was that the terms of a concession granted thirty years earlier, before the Oil Age had really begun, were not considered by the Persians as being compatible with the sovereign rights and revenue possibilities of a revived and economically ambitious country. The

British Government, which held more than half of the ordinary shares of the Company, referred the dispute in January 1933 for arbitration to the League, of which Persia had become a member in 1919. Thanks to the good offices of Dr. Benes, appointed *rapporteur* in this dispute, the parties eventually arrived in May 1933 at an amicable settlement. The period of concession was extended to 1993, the royalty to the Persian Government was fixed at a minimum standard rate of £750,000 a year, and, in return for a lump sum payment, the Company was exempted from the vagaries of the Oriental tax-collector. An interesting rider to the arrangement was that the parties agreed to submit any future disputes to an Umpire who, failing agreement between them, was to be chosen by the President of the Hague Court.

Persia in this instance, if very naturally anxious for her own sovereignty in times when the advent of the aeroplane had placed her once again on the main trade routes of the world, displayed a very proper feeling with regard to the correct conduct of international relations.

4. *Conclusion*

In 1914 the greater part of the Middle East was inhabited by peoples subject to an alien rule, and with no prospect of progress towards self-government. In Egypt sat the British, efficient, solid and permanent in appearance. Syria and Palestine were corruptly but slackly ruled by the "Old Turk" (The Sick Man of Europe), and the control exercised by the Ottoman Empire became weaker and weaker as it extended southwards into Arabia, until like a dwindling river it disappeared into the sands of the desert of the Ruba al Khali. Mesopotamia was a Turkish province stagnating on top of the buried remains of long-dead civilizations. Within the corrupt and decaying body of "The Sick Man of Europe" the ferment of Nationalism—the Young Turk Movement—was already at work, actively encouraged by the German Empire as part of its Middle East policy. This Turkish-German friendship was deemed both strategically

dangerous and politically unholy by Great Britain, who, as guardian of the Indian Empire and one of the principal Moslem Powers, could not view with equanimity the possibility of a German edition of the Koran.

Persia, as we have seen, was nipped between the upper and nether millstones of Russian and British policy, and lived in constant dread that the home of the King of Kings would one day be divided between the Tsar and the Emperor of India. Incidentally, Afghanistan was in a like predicament, but was more afraid of Russia than of Great Britain.

The Great War burst like a bomb amongst these policies and peoples, and at the end of *Our Own Times*, as the dust of the explosion began to settle down, it could be observed that profound changes had taken place in the Middle East. Western civilization, both in its political and material forms, had laid hold of the Middle Eastern peoples. The notion of Nationalism had replaced the politically binding force of Islam as represented by the Caliphate. The Arab peoples, if disappointed in their hopes of an Arab Empire extending from Damascus to Aden and Basra to Haifa, were now grouped into national states which enjoyed varying degrees of independence. Egypt was 75 per cent. autonomous, and Iraq was only bound by a treaty of mutual assistance with Great Britain. An Iraq delegate sat in the Assembly of the League, colleague of the Turkish and Persian delegates. In theory an Arab from Iraq might sit on a League Committee considering the report of the Permanent Mandates Commission when that body reviewed the progress or dilatoriness of the French in their task of introducing self-government into Syria.

In Palestine the British were plodding along at a task which only a nation of self-confident optimists would have believed possible; the task was that of forming a nation in part Jew, in part Arab. The effrontery of striving to blend these peoples into a political unit made it the more likely that it would succeed, for the British specialize in producing non-existent rabbits from their Imperial hats.

In Arabia, that strong man Ibn Saud ruled the fanatical

Wahabis with a firm hand and was the acknowledged King of the greater part of Arabia.

The disappearance of Imperial Russia and its replacement by the Communists of Moscow had greatly changed the situation in Persia and Afghanistan. The Russian Government was—at all events in theory and to some extent in practice—the friend of the small nations endeavouring to escape the control of the British Empire. Persia, liberated from foreign influences, had adopted a somewhat hostile attitude towards Great Britain and twisted the tail of the British lion to some effect in the matter of the Anglo-Persian oil dispute, and a refusal to renew facilities for the Imperial Airways route to India. Afghanistan, also released from the peril of Russia, had gone so far as to invade India in 1919. The Afghans were defeated, but in the Treaty then negotiated their independence was fully recognized.¹ So much for politics. In a material sense western civilization had spread across the Middle East by the end of *Our Own Times*. The air-lines from Europe to Asia crossed the area and Egypt had become a Clapham Junction of the air as the meeting-place of the Far East and African Airways. The motor-car was defeating the camel, and a great pipe line stretched across Syria to carry the oil from the wells of Kirkuk in Northern Iraq to the tankers lying in the port of Haifa. Even in Felix Arabia a motor-car service linked up the Holy City of Mecca with King Ibn Saud's capital at Riyadh, and a tourist could take a railway journey from Cairo to Calais.

Looking to the future it seemed possible that amongst the events and problems of the *Times to Come* would be that of the relationships between the Arab peoples as they progressed towards independence. Would they federate into an Arab *bloc* and, if so, peaceably, or as a result of war? What would be the reactions of the British Empire to such an event? What of Russia? Would the Communists be able to resist their historic urge to extend Russian influence towards the warm waters of the Mediterranean and the Indian Ocean?

¹ Afghanistan became a member of the League in September 1934.

Our Own Times

In 1935 such questions were exercises in prophecy concerning an area in the world which had been the home of all the great prophets. We think it possible that at some distant date humanity will find itself confronted with the task of synthesizing Eastern and Western civilization, and that this impressive moment may inaugurate the final stage in the solution of the problem of Man and Himself. Will this be the day of tribulation at Armageddon, which is in the Middle East? The place of doom, where "the seventh angel poured out his vial into the air"; where the "great voice of the temple of heaven" said "it is done"; where there were "thunders and lightnings" and "a great earthquake such as was not since men were upon earth"; where "there fell upon men a great hail out of heaven," and "men blasphemed God because of the plague of the hail; for the plague thereof was exceeding great."

CHAPTER X

THE U.S.A. IN CRISIS

"If I were to be called upon to draw a picture of the times and of men . . . I should in one word say that idleness, dissipation and extravagance seem to have laid fast hold of most of them : that speculation, speculation and an insatiable thirst for riches seem to have got the better of every other consideration, and almost of every order of men : that party disputes and personal quarrels are the great business of the day : while the momentous concerns of an empire, a great and accumulating debt, ruined finances, depreciated money . . . are postponed from day to day, from week to week, as if our affairs wore the most promising aspect."—GEORGE WASHINGTON, 1778.

"Unless the States will content themselves with a full and well-chosen representation in Congress and vest that body with absolute powers on all matters relative to the great purposes of war and of general concern . . . we are attempting an impossibility, and very soon shall become . . . a hydra-headed monster . . . that never will or can steer to the same point. The contest among the different states *now* is not which shall do most for the common cause—but which shall do least . . . one state waiting to see what another will or will not do."

GEORGE WASHINGTON

(quoted by Evans in *Writings of American Statesmen*).

I. *Modern America*

A GUNNER'S mate—so runs an ancient tradition in naval ward-rooms—was once demonstrating to a class of midshipmen the workings of a fuze, the sensitive or dangerous end of which was in the base and not in the nose. These fuzes sat in a box and when this was opened the noses were displayed. In order to extract them with safety it was necessary to turn the box upside down and then open it. Said the gunner's mate : "Gentlemen, I draws your attention to the red lettering on this box!" The class leant forward and read the words "TOP MARKED BOTTOM—TO AVOID MISTAKE."

America is an example on the grand scale of an institution which in European minds has been marked "This is a nation—in order to avoid mistake," with the result that the mistake has been made of supposing that the U.S.A. is a

nation (European plan). It is not. The American mystery is doubly mysterious to English-speaking peoples—including the Americans themselves—because the language of the inhabitants is a form of English and many people are under the delusion that community of language implies community of thought. European visitors to America often penetrate no further than the eastern seaboard, where they are hypnotized by the famous sky-line of New York's sky-scrappers and perhaps subconsciously think of the top of that precipice as the western frontier of America. It is more correct to think of it as the top of the Great Divide between America and Europe.¹

If we had to classify America, then we should place it somewhere on the political scale between the tightly and highly organized nation of Great Britain and that vague and misty affair known as the British Empire which the Statute of Westminster gallantly attempted to formalize. Students of Far Eastern affairs who study modern American political developments will be struck by the very remarkable parallels to be drawn between the state of affairs in America and those which existed in Imperial China.²

At the end of *Our Own Times* the Americans were just emerging from the pioneering stage of national evolution. For a hundred years the Americans had been much more concerned with the question "What kind of a nation are we to be?" than with the question "Now that we are a nation, what should be our external and internal lines of development?" The domestic issue had been that of determining what kind of a national framework was to contain the American people, and in 1860 this question was in part determined by bullets instead of by ballot-boxes; a method typical of the pioneering era.

¹ It was in order to guard against this trap that the writer thought it advisable when making his first reconnaissance of the American scene to cross Canada and enter America through the Golden Gates of San Francisco.

² Some readers may be unaware of the advanced stage which the Chinese had reached in the art of government until the advent of western civilization caused these Orientals to conclude that they had better abandon their old principles in favour of those from the West. It is part of the perpetual see-saw of history that the East began to sit at the feet of the West at a time when the West was within measurable distance of a suspicion that some of its toes were made of clay.

The U.S.A. in Crisis

Furthermore, the American colonies were originally founded as a refuge from government control, and throughout the nineteenth century the United States were being peopled by men and women fleeing from the oppression of government in Ireland, Central Europe, Poland and Russia. Individual liberty was the magnet which drew the millions across the ocean, and though this liberty came to be expressed in materialistic terms and the practice of "rugged individualism," it was always surrounded by a vague and misty idealism which showed itself in an intermittent urge to work towards the realization of what has been termed "the American dream" . . . a land of plenty, prosperity and happiness, isolated from the wickedness of Europe and sheltered by the Monroe Doctrine which in effect said to Europe, "Hands off the New World whilst we build our New Heaven."

One must keep these reflections in mind as affording some explanation of the fact that American gentlemen did not habitually "go in for politics"; the U.S.A. was a land where "gentlemen preferred private business to public service," and in which the Federal Government existed not to direct the policies of the 48 sovereign states, but merely to be their general post-office. It is to the embryonic state of America's nationhood that one must go for an explanation of the fact that there has not been a fundamental difference of principle between the two great political parties.¹ The difference between Democrats and Republicans has largely been a difference between two sets of men each eager for the fruits of office, that is to say for the rackets and the graft, which in communities not yet centralized, are the most convenient way of paying for essential public services.² Nor would one expect to find a Socialist Party of any significance in the U.S.A., for such a Party can only exist

¹ An authority who was good enough to read this chapter in MSS. considers that we have over-estimated the lack of difference in political principle between the Democratic and Republican parties and that a chief issue between the parties, which first took shape in the rival constitutions of 1781 and 1787, has been the question of "State" versus "Federal" government, the Democrats emphasizing the need of a stronger Federal government and the Republicans tending to resist such encroachment on the power of the States.

² Cf. "Squeeze" in China.

under democracy where a substantial proportion of the electorate believe in the desirability of extending government control. In fact, the American Socialist Party has hitherto been small in numbers and ineffective in action, nor has organized Labour been politically conscious. It would be impossible in this study to attempt to make a picture of the immense varieties which displayed themselves within the frontiers of the U.S.A. towards the close of *Our Own Times*. We cannot tell here of the variations in race ; of the negroes who make up 14 per cent. of the population ; of the 48 sovereign states, each with its own legislative assembly, each with its own economic and political characteristics, each with its own constitution derived not from Congress, but from the people. Nor can we enlarge on the peculiarities of a Federal constitution which is so designed as to give to each of the three parts of the Federal Government the power to prevent the whole from operating with decision and swiftness. It must suffice to say that although ever since the days of the great Chief Justice of the Supreme Court, John Marshall, the American Constitution had been continuously stretched so as to extend the power and activities of the Federal Government, there was in 1929 no Central Government in the United States comparable in power and efficiency with those in the fully-developed European nations and in Japan. The emergency of the Great War had for a brief period of twelve months made necessary the existence of a strong central executive, but this was achieved by a tremendous improvisation, and when the War was over President Harding was the apostle of "back to normalcy."

If the opening pages of this chapter have done something to cause the reader who has hitherto taken it for granted that the U.S.A. is "a nation like the rest of us" to doubt whether that is the case, their purpose will have been in part achieved, and we can now proceed to examine what happened to these Americans as they were sucked into the whirlpool of the crisis.

2. The Impact of the Crisis

The collapse of the New York stock market in the autumn of 1929 has been described in Volume I. This collapse started a trade slump and saddled the banking system with a mass of frozen and unrealizable assets. The Federal Reserve Banking system adopted a policy of trying to restore confidence by making money cheap and by broadening the basis of credit. This action has been criticized as an attempt to paper over a cracking foundation. Trade continued to decline as the world crisis deepened and the price level fell, and in the summer of 1931 the American public began to mistrust its banks, of which hundreds of the smaller fry had failed. An outbreak of hoarding took place and was reflected by a rise of over 1000 million dollars in the note issue. The departure of Great Britain from the gold standard added to the strain and confusion; many continental countries abandoned the gold exchange standard and turned their dollar holdings into gold. Foreign confidence in the U.S.A.'s position started to waver and America began to lose gold.¹ At the end of 1931 President Hoover's administration, whose repeated assertions that prosperity was just round the corner were now wearing thin, decided that government action was necessary. A timid attempt, described as a policy of "reconstruction and reflation," was made at the end of 1931 to patch up the banking system by the creation of the National Credit Corporation. The situation continued to deteriorate, and early in 1932 the Reconstruction Finance Corporation was formed in order to provide funds for financial institutions and to aid in financing agriculture.

Soon afterwards the Glass-Steagal Act (February 26th, 1932) was passed. It authorized the Federal Reserve Banks to issue notes against U.S.A. Government securities in addition to the ordinary practice of issuing them against gold and/or commercial paper. The effect of this was to increase the

¹ In a speech at Des Moines in 1932 President Hoover declared that at one time the U.S.A. had been within a fortnight of being forced off gold. This statement was ridiculed at the time.

"free gold" from \$416 million in February to \$1398 million in March by releasing gold which had previously been needed to back Federal Reserve Notes.

The Federal Treasury deficit for the financial year, which ended on June 30th, 1932, was \$2,885,000,000¹; an increase of about \$2,000,000,000 over the deficit for 1931. It was estimated at this time that the national income of the U.S.A. had shrunk in two years "by considerably more than 20 billion dollars."²

In the middle of the year 1932 there was a marked improvement in the U.S.A. position. The R.F.C. was apparently rescuing banks and big businesses in difficulties, whilst prices showed a slight rise.³

These signs of recovery did not occur soon enough or in sufficient magnitude to save President (Prosperity) Hoover and the Republicans from a smashing defeat at the hands of the Democrat candidate, Mr. Franklin D. Roosevelt, on the occasion of the Presidential elections which took place in November 1932. Mr. Roosevelt secured over 20 million votes to Mr. Hoover's 14½ million, and 472 votes in the Electoral College out of the total of 531 votes. Moreover, Mr. Roosevelt was assured of a Democratic majority in the House of Representatives and the Senate.⁴

The immediate international effect of the elections was unfortunate, since the provisions of the American Constitution were then such that the new President with his new policies (if any) on War debts, disarmament and internal recovery, could not enter into office until March 1933. A period of four months' uncertainty therefore supervened in world affairs, an interlude which effectually stifled various rather wild hopes that it would be possible to launch the World Economic Conference before the close of 1932.

As the year closed the American scene began to darken

¹ Fifty-eight per cent. of the year's expenditure had been financed by borrowing.

² *The Economist*, July 23rd, 1932.

³ By 1934 it had become apparent that the economic crisis, or at any rate its first phase, did in fact begin to "bump along the bottom" in every part of the world during the course of 1932, a measure of recovery due in part to the psychological effect of the virtual cancellation of reparations at Lausanne.

⁴ House of Representatives: 314 Democrats, 121 Republicans and Independents. Senate: 60 Democrats, 36 Republicans and Independents.

again. Banking failures—although on a smaller scale than in 1931—were resumed. Business began to fall back and the steel industry was once more working at only 15 per cent. capacity—it had been down to 9 per cent. The budget deficit for the financial year ending in 1933 was estimated by President Hoover in his December message to Congress to be \$1644 million. The President called for new taxes and a reduction in expenditure in order to remedy a situation which “cannot continue without disaster to the Federal finances.” It may be noted here that prices had once more begun to decline and 1932 closed in the U.S.A. with prices at their lowest. The gloom of America was partly lightened by the thought that the Democratic Congress would certainly repeal Prohibition and that the taxation of liquors would materially add to the revenue. In the event these expectations of revenue were not realized.

3. The Roosevelt Régime

We have pointed out that a four months’ interval had to elapse between the elections and the inauguration of the new President, and this meant that the Central Government was in a specially weak position during the early months of 1933 at a time when the public in the U.S.A. were rapidly losing faith in their banking system. On the one hand the defeated and discredited Hoover could take no action, since he had only a few more weeks in office, whilst on the other hand the President-elect was not yet in office. In these circumstances it is reported that Hoover, who was seriously perturbed by the outlook, approached Roosevelt with a view to concerted action. It was alleged by the friends of Hoover, who quoted chapter and verse in support of their statements, that Roosevelt refused to co-operate, and in 1934 the Republicans declared that Roosevelt’s refusal was due to his desire to play politics and exploit the gravity of the economic situation. It has also been admitted to the writer by persons of authority that although desirous of “playing politics,” Roosevelt never imagined that the situation would become as serious as it did.

✓ However, a crop of serious banking failures in Detroit which occurred in February 14th, 1933, and made necessary an eight days' Bank Holiday throughout Michigan, started a panic throughout the land. By March 2nd, eleven states had declared "Bank Holidays," and it was clear that the great banks in New York could not stand the strain much longer. On the 3rd the banks were closed in many additional states, and on March 4th the suspension of banking facilities had become general throughout the Union. It was in these extraordinary circumstances that President-elect Roosevelt and President Hoover drove to the Capitol for the inauguration ceremony. Before we record some of the statements which Roosevelt expressed in his inaugural speech, which was broadcast all over the world, let us endeavour to set the scene.

✓ Some account has already been given in Volume I of the *American Paradise Lost*, of those brave days when each west-bound liner contained its quota of inquirers who were voyaging from Europe to discover the secret of America's prosperity. By March 1933 the people of the U.S.A. were psychologically and economically prostrate. It has been well said of the United States that: "A country fundamentally pragmatic in its outlook, holding the view that that is true which works, when nothing works, necessarily finds itself at a loss where to turn"¹; and in 1933 the economic system was working very slowly and badly in the U.S.A.

✓ The steepness of the gradient down which the American people descended on their way to their Economic Hell in the short space of the two and a half years which separated the New York Stock-market crash in the autumn of 1929 from the inauguration of President Roosevelt in 1933, can be illustrated by the fact that during this period the employment figures fell by 50 per cent., the number of unemployed in 1933 being variously estimated at between eleven and fifteen million. By 1933 exports and imports had shrunk to a quarter of their 1929 volume, and every statistical indication of both foreign and domestic trade

¹ H. B. Butler in *The International Labour Review*, 1933.

advertised the catastrophic nature of this economic and social disaster.¹

In the mirror of stock exchange prices the same appalling picture presented itself, for in the autumn of 1929 the index of common shares stood at 225; in March 1933 it was grovelling at 43. The whole community was staggering under a load of debt—the mortgages on the homes of American citizens in March 1933 amounted to 21,000 million dollars. Through this scene of desolation, in the homes of countless thousands of ruined wheat and cotton farmers, of small men whose savings had vanished in the utter collapse of the banks, in the ears of the eleven to fifteen million workless there echoed a voice from the loud speaker . . . the voice of their new President calling upon the American people to have faith in their destiny, to make sacrifices of old practices, to abandon orthodoxy, to scrap their cherished belief in rugged individualism, to abandon competition and embrace co-operation, to clear the gambling table on which the men of Wall Street handled the chips and to sanction a New Deal. The voice of Roosevelt from the loud speaker said:

“Nature still affords her bounty, but the generous use of it languishes in the very sight of supply. This is primarily because the rulers of the exchange of mankind’s goods have failed through their own stubbornness and their own incompetence, have admitted their failure and have abdicated.

¹ For example :

- (a) The index of pay-rolls was 100 in 1929 and 33.4 in 1933.
- (b) The wholesale price level fell 30 per cent. between 1929–33.
- (c) The index of farm prices was 105 in 1929 and 41 in February 1933.
- (d) The index of steel and iron output was 110 in 1929 and 18 in 1933.
- (e) The index of automobile production was 133 in 1929 and 27 in March 1933.
- (f) In 1929 the monthly value of building contracts averaged \$450 million; in the spring of 1933 the corresponding figure was \$55 million.
- (g) In 1929 the net profits of 1520 corporations amounted to \$4000 million; in 1932 a similar group of 1410 corporations were “in the red” to the extent of a net loss of \$100 million.
- (h) In 1929 the 165 principal railroads made a net profit of \$897 million; in 1932 they showed a net deficit of \$153 million.
- (i) In 1929 the number of persons shown by the tax returns as having annual incomes of over \$1 million was 513; in 1932 this figure was 20.

Our Own Times

"The money-changers having fled from their high seats in the Temple of our civilization, we may now restore that Temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit. . . . Restoration calls not for changes in ethics alone: the nation is asking for action—and action now.

"Our greatest primary task is to put the people to work. . . . It can be accomplished in part by direct activity by the Government itself, treating the task as we would an emergency of war: but at the same time we can accomplish greatly needed projects to stimulate and organize the use of our national resources.

"We must amply recognize the overbalance of population in industrial centres and endeavour on a national scale by redistribution to encourage the settlement on the land of those best fitted for the land. The work can be helped by definite efforts to raise the values of agricultural products . . . by preventing . . . the tragedy of growing loss through foreclosure on small homes and farms, by the unifying of relief activities . . . by national planning for, and supervision of, all forms of transportation, communications and other public utilities. . . . Finally, there must be strict supervision of all banking and credit investments. There must be an end to speculation with other people's money. There must be provision for an adequate but sound currency. There, my friends, are the lines of attack. . . . I shall spare no effort to restore world trade by international economic adjustment. But the emergency at home cannot wait on that accomplishment.

". . . I shall ask Congress for the one remaining instrument to meet such a crisis—namely, a broad executive power to wage war against the emergency as great as the power that would be given to me if we were in fact invaded by a foreign foe."

Americans raised their eyes from the ground and stirred their souls out of the deep pessimism in which they were engulfed, and looked upwards; then with that volatile and

mercurial childishness which is at once their most irritating and charming characteristic, they roared "Excelsior" and placed the banner in the hands of Roosevelt.

Three thousand miles east, across the Atlantic, highly trained men in the Treasury and Board of Trade raised their eyebrows and wearily started a new file marked "U.S.A.—economic developments." They had an uneasy feeling that this man Roosevelt was going to cause a disturbance . . . they were right.

4. *The New Deal*

The President wasted no time in applying to Congress for the necessary legislative powers permitting him on the one hand to take steps to bring about recovery, and on the other to reconstruct. In essence he asked for and obtained enormous powers to intervene in private business, and the twin prongs of the fork with which he made hay with the "rugged individualism" of America were the National Industrial Recovery Act and the Agricultural Adjustment Act.

When the N.I.R.A.,¹ symbolized by the Blue Eagle, appeared, it was observed to be in two parts. Part I was concerned with the establishment of "codes of fair competition" in industry. The codes aimed both at improving the conditions of the workers and ensuring a better balance between production and consumption. Their purpose was summed up by the President in the following passage:

"No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By 'business' I mean the whole of commerce as well as the whole of industry; by workers I mean all workers—the white-collar class as well as the men in overalls; and by living wages I mean more than bare subsistence level—I mean the wages of decent living.

"Decent living, widely spread among our 125,000,000 people, eventually means the opening up to industry of

¹ The N.I.R.A. was approved on June 16th 1933, and the N.R.A. (National Recovery Administration) was at once set up under Title I of the Act.

the richest market which the world has known. It is the only way to utilize the so-called excess capacity of our industrial plants.

"The idea is simply for employers to hire more men to do the existing work by reducing the work-hours of each man's work and at the same time paying a living wage for the shorter week.

"No employer and no group of less than all employers in a single trade could do this alone and continue to live in business competition. But if all employers in each trade now band themselves faithfully in these modern guilds—without exception—and agree to act together and at once, none will be hurt and millions of workers, so long deprived of the right to earn their bread in the sweat of their labour, can raise their heads again. The challenge of this law is whether we can sink selfish interest and present a solid front against a common peril.

"It is a challenge to industry which has long insisted that, given the right to act in unison, it could do much for the general good which has hitherto been unlawful. From to-day it has that right."¹

The codes were drawn up by meetings of trade associations of producers in various industries, and they met with the knowledge that if they failed to agree the President could and would impose a code, since under the Act the President had power to prevent a business from operating if it broke the appropriate code.

The codes introduced several novelties into American life. They ran counter to all the anti-trust legislation; they appeared to give the American workers the right to collective bargaining; they forbade child labour and they fixed minimum wages for shorter hours. Taking American industry as a whole, the working week was fixed at between 35-40 hours a week.

Part II of the N.I.R.A. provided for the inauguration of very large-scale public works for which an appropriation

¹ *American Federationist*, July 1933, pp. 681-682: "An Industrial Covenant."

of \$3300 million (£660 million at £1 = \$5) was set on one side.

The second great Roosevelt measure—the Agricultural Adjustment Act—was divided into three parts. Part I was concerned with the restriction of production of agricultural produce. With the exception of cotton acreage, which was dealt with by a special scheme, the restriction of wheat, maize, rice, tobacco, hogs, milk and milk products was brought about by voluntary agreements between the producers and the Secretary of Agriculture. The producers who restricted were compensated by the proceeds of a “processing tax” levied upon the manufacturers who first handled the raw material. The amount of compensation was determined by the difference between the price of the commodity in 1933 and its average price during the period 1909–14.¹

The second part of the Act, entitled the Emergency Farm Mortgage Act, provided for the issue of bonds up to \$2000 million to be used by the Government in order to take over farm mortgages from banks, etc., when the farmer was unable to meet his debt charge. The mortgages so taken over were to have the rate of interest reduced.

The third part of the Agricultural Adjustment Act seems either to have got into its legislative niche by mistake, for it had nothing to do with agriculture as such, or it was a deliberate move on the part of the inflationists to pave the way for future executive action. It gave the President power:

(1) To inflate by:

(a) Open market purchases by the Federal Reserve system to the extent of \$3000 million.

(b) Issuing \$3000 million in notes.

(2) To reduce the gold content of the dollar by 50 per cent.

(3) To coin silver at a fixed rate to gold and to accept silver in part payment of War debts.

¹ In the case of tobacco the standard price was fixed as the average price (1919–29).

In addition to the two great Acts mentioned above there were promulgated during 1933 a large number of subsidiary measures dealing with matters such as the relief of unemployment, the co-ordination of state relief work and the banking situation. The Banking Act of 1933 greatly altered the banking system. Its terms were drastic. In general, the payment of interest on demand deposits was prohibited; interest rates on time deposits were regulated; and a Federal Deposit Insurance Corporation was set up to guarantee bank deposits up to the limit of \$2500. It is impossible in this brief sketch of the machine of Recovery and Reconstruction even to mention the titles of all the regulations and measures, all the boards and corporations set up by the President during 1933 under the National Executive Council. It must suffice to say that in every direction the Federal Government laid a heavy hand upon the activities of private enterprise with a view to substituting conscious control for the traditional automatic free working of the economic system.

Space must, however, be found in which to mention the "Resolution repealing the Gold Clause," which repudiated the "Gold Clause" in all contracts and declared that they would henceforth be satisfied if payment was made in dollars.¹

As we shall describe in Chapter XII (page 272), President Roosevelt's blunt refusal to co-operate in any scheme of international monetary co-operation wrecked the World Economic Conference. In October he began a policy of attempting to raise the internal price level in the U.S.A. by purchasing gold in large quantities at a price considerably in excess of the old value (in gold) of the dollar. Whilst this policy depreciated the external value of the dollar it had no appreciable effect upon the internal price level of the U.S.A., and indeed there was no theoretical reason why lowering the value of the dollar in terms of gold should

¹ On February 18th, 1935, the Supreme Court decided by five votes to four that (in effect) the Federal Government should not have abrogated the Gold Clause, but that there was no constitutional method of disputing the consequences of the Government's action. This decision was hailed as a victory for the Administration.

cause a rise in prices in the U.S.A., except in respect of certain commodities whose price was settled in the world market—and then only if the U.S.A. was not the main source of supply.

When members of Congress reassembled in January 1934 they received a budget message from the President which showed that his determination to finance recovery by large-scale borrowing was as strong as ever. He said :

“The excess of expenditures over receipts during this fiscal year amounts to over \$7,000,000,000. My estimates for the coming fiscal year show an excess of expenditures over receipts of \$2,000,000,000. We should plan to have a definitely balanced budget for the third year of recovery, and from that time on seek a continuing reduction of the national debt.

“The total debt, if increased by the sum of \$2,000,000,000 during the fiscal year 1935, would amount approximately to \$31,834,000,000 on June 30th, 1935. It is my belief that, as far as we can make estimates with our present knowledge, the Government should seek to hold the total debt within this amount. Furthermore, the Government, during the balance of this calendar year, should plan to bring its 1936 expenditures, including recovery and relief, within the revenues expected in the fiscal year 1936.

“In order to make clear to Congress what our borrowing problem is for the next six months, permit me to remind you that we shall have to borrow approximately \$6,000,000,000 of new money, and in addition \$4,000,000,000 to meet maturities of like amount.”

It would be interesting to know how many of his fellow-countrymen who listened in 1934 to this bold programme for spending America out of her troubles, remembered that the second piece of legislation put forward by the President after his accession to power was an Economy Act designed to make cuts in expenditure amounting to \$500 million. In those far-off days nearly a year earlier, the President had been

as insistent as his predecessor upon the need of a balanced budget.

5. The First Two Years

When the "off year" elections for Congress occurred in November 1934, nearly two years had elapsed since the inauguration of the great experiment in recovery and reform. The table opposite indicates in a general manner the degree of recovery which had been achieved.

Apart from the very marked increase in the volume of public works, the general extent of the recovery had been modest and the orthodox critics of the Recovery programme alleged that such improvement as had taken place had occurred in spite of, rather than because of, Government activity.

After two years the most disquieting feature in the situation was the persistence of a large body of unemployed who had only been kept alive by a vast system of relief expenditure, most of which burden had fallen on the Federal Government.¹ In order to alleviate distress during the winter of 1933-34 an organization called the Civil Works Administration had been created, and by November 1933 about four million men were on its pay-rolls. An extemporized institution, it did its work tolerably well at the cost of a good deal of inefficiency and some graft, but when it was disbanded in the spring of 1934 its beneficiaries were thrown back on to private and state relief.

At this time three million men, according to the Government guess, and two million, according to the guesses of private statisticians, had been absorbed into industry during the past twelve months, but this left at least ten or eleven, perhaps twelve or thirteen, million unemployed. It was broadly true to say that approximately three and a half million families were wholly or in part dependent for existence on charity. A serious consequence of the unemployment problem was that with perhaps one-eighth

¹ At the end of 1934 the Federal Treasury was contributing upwards of 95 per cent. of relief expenditure in thirteen states, and in only two states was the Federal contribution less than 50 per cent. of this expenditure.

TABLE 1

STATISTICS OF ECONOMIC ACTIVITY IN THE U.S.A.

1923-25 = Index = 100														
	Average, 1929	Dec. 1931	Mar. 1932	June 1932	Sept. 1932	Dec. 1932	Mar. 1933	June 1933	Sept. 1933	Dec. 1933	Mar. 1934	June 1934	Sept. 1934	Dec. 1934
Production of Manufactures	119	72	64	58	65	64	56	93	83	73	82	83	69	86
Production of Minerals .	115	84	85	64	71	77	81	85	87	86	100	87	82	89
Residential Construction .	87	23	15	11	12	9	8	13	12	13	11	12	11	12
Other Construction .	142	50	36	39	44	43	18	23	45	93	51	38	44	47
Factory Employment .	105	72	68	62	62	62	59	67	78	75	81	82	74	79
Factory Pay-rolls ^a .	109	58	53	43	43	42	37	47	59	55	65	65	58	63
Freight Car Loadings .	106	69	61	52	54	58	50	62	60	63	66	64	59	64
Commodity Prices .	95	69	66	64	65	63	60	65	71	71	74	75	78	77

¹ Federal Reserve Bulletin figures, adjusted for seasonal variation.² Not adjusted for seasonal variation.

of the population in impoverished circumstances the purchasing power in consumers' hands was likely to prove inadequate to sustain prices and stimulate production.

Moreover, by the end of 1934 tension between Labour and Capital was growing ominously. At the back of the Recovery programme was the political notion that the driving force should be supplied by an alliance between Capital and Labour, an alliance founded on goodwill and the uplifting conception of putting national interests first and sectional interests second. In short, an extension into national economic life of the ideals which seemed to govern the President's personal approach to his duties. The codes were to be the legal expression of this ideal.

From the outset most of the representatives of big business, seemingly with less faith in human nature, objected to the codes but bowed to the wave of national opinion which rushed forward in support of the Presidential policy. The Blue Eagle, that sign that he who displayed this bird on note-paper, shop or factory was working under the codes, was given thousands of perches by people who in their heart of hearts hated the "damned bird" and much of what it stood for.

Organized labour welcomed the codes partly because of their promise of shorter hours and higher wages, but chiefly because of Clause 7 (a) of the National Industrial Recovery Act, which seemed to give to American Labour its long-awaited Magna Carta. In 1933 organized Labour in the U.S.A. was—by British standards—in an early stage of evolution. The implacable opposition of employers to collective bargaining, the tradition of individualism, the fluidity of economic conditions in a rapidly growing new country were all factors which had combined to prevent American Labour from being adequately organized. In January 1933 it is doubtful whether much more than 5 per cent. of American Labour was organized under the umbrella of the American Federation of Labour. The promulgation of Clause 7 (a) of N.I.R.A., which appeared to give Labour the right to organize freely and to be represented in collective bargaining by its own representatives,

was hailed by the Trades Union leaders as providing an opportunity to break the Company Unions—bogus Unions whose membership was confined to workers in one plant—and to build up a powerful National Labour Organization. By the end of 1934 there had been a significant change-over in the respective attitudes of Capital and Labour towards the codes. Many employers had discovered that whilst on the one hand the codes not only permitted, but indeed encouraged, price-fixing and monopolistic practices in contravention of the provisions of the anti-Trust Laws, on the other hand the concessions made to Labour could take the form of slight increases in hourly wages coupled with slight decreases in the number of hours worked. In short, those employers saw in the codes a state umbrella beneath which to organize monopoly. The scandal in this matter became so patent that a special Board was set up to report on the workings of the codes. Its Report, published in May 1934, reached the conclusion that N.R.A. fostered monopoly and oppressed small businesses and industries, while certain codes were poorly administered, with the result that the consumer was shouldering most of the burden of recovery. "The choice"—observed the N.R.A. Review Board (of which the radical-minded lawyer, Clarence Darrow, was Chairman)—"is between monopoly sustained by the Government, which is clearly the trend of the N.R.A., and planned economy, which demands socialized ownership and control, since only by collective ownership can the inevitable conflict of separately owned units for the market be eliminated in favour of planned production."

General Johnson, the outspoken administrator of N.R.A., roughly retorted that the findings of the Board were "nonsensical, intemperate and in some instances quite false."¹ Yet in the same month of May 1934, the General was candidly confessing that "There is a lapse of public enthusiasm over the codes," and that "if you can't get public support you just can't make N.R.A. go."

There were signs towards the close of 1934 that the more

¹ *New York Herald*, May 21st, 1934.

radical Labour leaders were turning against N.R.A. and had reached the conclusion that only by the strike weapon could Labour achieve its purpose. Labour's dissatisfaction had been increased by the compromise by which Roosevelt personally settled an automobile strike at Detroit, a compromise in which the Company Unions were recognized as having equal status with the Craft Unions. The hostility of Labour was showing signs of being paralleled by a growing restiveness on the part of consumers who were remarking in 1934 that the rise in the cost of living had more than cancelled such rise in money incomes as they had secured through the Recovery Measures.

In the matter of the application of the Recovery Measures to agriculture it was impossible at the end of 1934 to do more than reach very tentative conclusions as to the course of events. The time had not yet arrived when the truth set forth in Mr. Wallace's (Secretary of Agriculture) remarkable pamphlet *America Must Choose*¹ was clear to the American people. In this document a prominent member of the administration pointed out with devastating logic that American agriculture was organized on an export basis, and that if she intended to remain a creditor nation with high tariff policies which prevent the admission of foreign manufactured goods, a drastic reduction of agricultural acreage amounting to about 40 million acres (or one-eighth of the cultivated area of the U.S.A.) was essential. With the exception of cotton, the restriction of agricultural production had been on a voluntary basis, the compensation to the farmer for reduction of output being financed by a processing tax. As an example of the difficulties inherent in such forms of "planning" it may be mentioned that the cotton crop for 1934 was estimated to be up to normal, a result in part due to the fact that with the money received for ploughing up 25 per cent. of their crop, the cotton growers had purchased fertilizers and so increased the yield per acre of the remaining area sown to cotton.

In the course of 1934 there was a net import into the U.S.A. of over \$1000 million of gold, but this great

¹ Published by the Foreign Policy Association.

flow of gold had neither caused any curtailments of credit abroad nor had it affected the credit position in the U.S.A., since the Reserve Banks already had a plethora of gold before the influx. The banks in America at the end of 1934 were tightly lashed to the mast of the good ship New Deal because their portfolios were stuffed with government securities. Credit was unusable since new private enterprise was almost at a standstill.

At the end of the second year of the New Deal the beneficial results of the salvage work carried out during the first six months of 1933 were still being felt; but with the number of destitute the same, if not greater, in December 1934, as it had been a year earlier, and productive activity no greater at the end of 1934 than in December 1933, it needed the eye of faith to see any likelihood of an early and substantial industrial or agricultural Recovery.

One important consequence of the New Deal was a transference of wealth from the industrial and urban population to the rural sections of the community. This was of considerable importance in view of the disparity between the price the farmer got for his product and the price he had to pay for his manufactured goods. However, the best claim which the New Dealers could make for their experiment was not in the material sphere. It was that the "psychological" state of America at the end of 1934 was much better than it had been in 1933. On this point all citizens—with the possible exception of some bankers steeped in the gloom of dark Wall Street canyons—were of one mind. The way might be long, the road hard, but that America was on the up-grade at the end of 1934 was a national conviction.

In the "off-year" elections of November 1934 the traditional struggles of "Ins" versus "Outs," or Democrats versus Republicans were confused by the fact that the election was fought on the single issue of "New Dealers" versus "Anti-Dealers." Generally speaking, most of the Democratic candidates supported the President and his New Deal, most of the Republicans were in opposition. The New Dealers had the immense political advantage that they were standing in support of an administration which was

pouring out government money in the form of relief funds, whilst the Republican Party were in effect inviting the electorate "to shoot Santa Claus." The opposition endeavoured to make play with the unconstitutional aspects of the New Deal legislation, but the views of many voters on this matter were probably summed up by the Middle West farmer who said to the writer: "Hell! Yew kint eat the Constitution!"

The result of the elections was a great triumph for the President and all his works, since the New Dealers increased their majority by 18 in the Senate and by 18 in the House of Representatives. These figures were hailed as a great personal triumph for the President, and he had the satisfaction of knowing that at the end of the first two years of his administration his hold on the confidence and loyalty of the majority of the American people was undiminished.

6. The Next Phase

On January 4th, 1935, President Roosevelt delivered a message to the new Congress. Speculation as to the contents of the message was widespread because it was believed by Wall Street and the industrialists that, notwithstanding the "radical" complexion of the Congress, the President would indicate that he was hoping to turn more to "private enterprise" for recovery and progressively diminish the extent of government expenditure and control.

The President spent the interval between November 1934 and January 1935 in holding a great many conferences with leading personalities in the business world, and it must be assumed that he reached the conclusion that if—as was being said in America late in 1934—"Business is rarin' to go"—it was likely to go in a direction of which he did not approve, for the terms of his message, whilst (as usual) "containing something for everyone," were in the main an announcement that the New Deal would continue.

The message began with a general review of the purposes of the New Deal. He said that :

“In spite of our efforts and talk we have not weeded out the over-privileged, and we have not effectively lifted up the under-privileged. Though no wise man has any intention of destroying what is called the profit motive—the right to work to earn a decent livelihood for selves and families—Americans must forswear that conception of acquisition of wealth which through excessive profits creates undue private power over private affairs, and to our misfortune over public affairs as well.”

Passing from principles to practices he then outlined a programme for dealing with the unemployed which was in effect an enlarged plan for more public works, as part of “the long-range permanent policy of providing the three types of security which constitute as a whole an American plan for the American people.” The three types of security visualized by the President were “*security of livelihood through better use of national resources, security against the major hazards and vicissitudes of life, and security of decent homes.*”

As regards the cost of these plans the President outlined budget figures for the year 1935–36 which were of a size calculated to remind British observers of expenditure during the War years. The total expenditure was estimated at about 8½ thousand million dollars, of which sum approximately one-half was earmarked for “relief and recovery.” The revenue estimate amounted to something a little less than 4 thousand million dollars, leaving a deficit of about 4½ thousand million—say £900,000,000.

It was estimated that the national debt would be increased by July 1936 to about \$34,000,000,000 (approximately £6,800,000,000). In January 1934 the President expressed the view that his budget announcement a year hence would be a “definitely balanced budget,” but as we have shown above, this expectation was completely falsified. We will not venture to hazard an opinion as to whether the U.S.A. in 1935 was definitely on the slippery path to disaster, but for those who desire to indulge in speculative essays we set down the following considerations.

Even in 1936 the *per capita* debt of the U.S.A. was likely to be less than that in Great Britain, whilst the natural resources of America are far greater than those of the United Kingdom. Secondly, the American depression was relatively a deeper depression than that experienced by Great Britain, and it may be that this justified a correspondingly larger "priming of the pump" with governmental expenditure.

But, true recovery—unless the whole economic structure of America was to be transformed—depended upon the revival of private economic enterprise, and if the period 1935–36 saw no such revival, what was to happen in 1936–37? It looked as if by then either America would be in serious financial difficulties, or, if there was a real revival in 1935–36, she might be faced with the still more dangerous possibility of a tremendous boom which would be the prelude to another great collapse.

7. Conclusion

To withdraw sufficiently far from the details of the American New Deal and project the mind into the future so as to be able to look back and make even a tentative estimate of the permanent significance of this experiment is a task requiring superhuman qualities, but it is one of the penalties of embarking upon a study of this nature that attempts must be made to achieve the impossible. It is, however, with the greatest diffidence that we submit the following observations. We believe that time will reveal the New Deal as significant, not so much through what its economic measures may or may not claim to have done towards promoting recovery, but rather as a landmark in the political development of the people of the United States comparable with such events as the "Convention of 1787" which established the sovereignty of the states; the Civil War of 1860 which set limits to that sovereignty; and America's entry into the Great War, an event which brought the half-formed and soft-boned national state into the arena of world politics.

The New Deal was in part an expression used to describe

a number of emergency measures required to deal with a serious but certainly temporary dislocation of American economic life, but it was also a slogan conveying the notion that the time had arrived to recognize that a revaluation was needed of the standards of American social life. It was a recognition that within the frontiers of America, as elsewhere, western civilization had become unbalanced and out of proportion; that means had been mistaken for ends; that material prosperity had been made into the God of Life instead of being laid as an offering upon His altar. The recognition that the American man had failed as badly as his European brother in the attempt to solve the problem of MAN and HIMSELF was a peculiar torture to the Americans, because they had been so confident that in the new land, isolated by the ocean, they would show the world how, upon a clean slate, a new nation could write a new kind of history. If the youth and optimistic exuberance of America had caused promises to be made and achievements to be guaranteed to which the more cautious Europeans would never have publicly committed themselves, this same self-confidence and healthy refusal to attach importance to a pessimistic interpretation of history, also made it possible for the Americans to leap in one bound from a somewhat Pharisaical position of self-satisfaction into the dust of confession and pitiless self-examination. They had failed to make the New Heaven on earth, to "deliver the goods" to humanity, and in 1933 the statute of Liberty at the entrance to New York harbour raised what might be a warning hand towards Europe, as much as to say "Wait! we are spring-cleaning; we are not ready for visitors." But America was young and the future eternal. She would start again, and the lessons learnt would be applied.

That in a general way was the most important meaning of the New Deal. Its practical results were likely to be a progressive and rapid extension of the powers of the Federal Government and the growth of a far more definite division between right and left in domestic politics than had previously been the case. In foreign affairs the United

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States may enter more fully into the field of international co-operation and her adhesion to a covenant of the League is probable within a decade. It must not be expected that these occurrences will take place in a continuous or⁹ orderly manner. If we may be permitted a desperately hazardous flight of imagination which has its landing-place somewhere towards the end of the twentieth century, we find ourselves contemplating something which in the language of 1935 would be called the Socialist U.S.A. The history books which tell how that transformation first began and how (perhaps) the passage from private Capitalism to Socialism was marked by periods of violence, will start something like this : " In March 1933 President Franklin Delano Roosevelt announced a New Deal."

PART II
INTERNATIONAL RELATIONS
1931-34

SAILING DIRECTIONS

THE relations between sovereign states since the onslaught of the economic crisis can be classified into two types or categories: the Old and the New. When the nineteenth century came to an end with the abandonment of the gold standard in 1931 the foundations of the international economic system were shaken and its pillars began to collapse. But in an earthquake, however terrible the destruction, there are survivors and life goes on. The inhabitants of the devastated town—as the writer witnessed in the earthquake at Yokohama in 1923—lived a dual existence. On the one hand they camped out in the ruins, they sheltered in such buildings as still stood, they carried on the old life of the community as near as might be. These were their links with the past. On the other hand they buried their dead, said their requiems, cleared away the wreckage, made plans and started reconstruction; these were their hopes for the future. So it was with the sovereign states during the period 1931–34. So, parallel with the series of attempts which on the side of economics culminated in the World Economic Conference, and on the side of politics in the Disarmament Conference to continue international life on pre-crisis lines, to pretend there had been no earthquake and that the shattered system could be restored, there appeared that movement for the consolidation of National fronts which we have traced in the first part of this volume. In the economic sphere the sovereign states developed their home resources as if anticipating a state of siege; in that of politics the “National” governments or dictatorships appeared to administer martial law inside the ramparts of Nationalism.

But however intraverted a sovereign state may become, it remains a unit in a world comprised of many states bound together by common interests, especially in the economic sphere. The western men of the nineteenth century,

largely under the influence of British ideas, had woven a thousand economic strands between the sovereign states, and though the rushing winds of the crisis burst many threads asunder and twisted many others into knotty tangles, the clinging web remained hanging like a damaged net around the world. Just as there inevitably remained an international economic system round and about the nationalistic states, so also there remained international political relationships, presenting a problem which had altered only in degree and not in kind. The problem remained that of obtaining peace and security in a world of international jealousies, but it had now become one of how to co-ordinate units within an international framework rather than as previously hoped of how to coalesce units into an international body. By way of an overture to our account of international relations 1931-34 we shall start with a chapter on the Far East, the Sino-Japanese question being destined to have a great influence on the development of international co-operation.

Then we shall discuss international economic relations up to the World Economic Conference, that still-born child of toil and optimism, whose failure caused the nations to return with redoubled energies to the elaboration of policies of self-sufficiency. Nevertheless we shall see that the failure of this World Conference reinforced the tendencies to build up a new kind of international economic system, an embryonic integration of national plans. We shall not be able to go far in this part of our study, for most of it belongs to the Times to Come. These national plans are still in a very early stage of development, and although their international consequences are still more faintly imprinted on the film of history, yet some trends can be detected.

Then we must return to politics and in Chapter XIII describe the apparent collapse of the World Disarmament Conference, the long-awaited sequel to the laborious preparations described in our earlier volume.

Next in logical order should come a chapter describing how the sovereign states, having failed in their first attempt

to reconcile their conflicting sovereign rights within the framework of the League, started anew to organize peace and banish the spectre of war from the path of humanity. But, alas, that chapter cannot yet be written ! It may be the tragic fate of millions not to see it written in their lifetime.

All that we shall be able to observe is that after the first failure of the Disarmament Conference there was a kind of hush, a period during which men surveyed their own handiwork in a kind of rueful alarm. There we shall have to leave them without knowing whether or not they will rush despairingly down that avenue of international anarchy which leads to war, or whether we may reasonably hope that certain events which occurred early in 1935 were signs that men were about to begin again the task of solving this aspect of the problem of Man and Himself.

We feel sure that only by some form of systematic co-operation can the relationship between states be regulated whether now or in the distant future, and no number of wars or crises can alter the indisputable fact that there is but one mankind and one earth. We shall therefore end the historical part of this study with an account of the League of Nations, the great experiment in international co-operation inaugurated during Our Own Times.

CHAPTER XI

THE FAR EAST

For Japan :

“Whoso diggeth a pit shall fall therein.”—Proverbs xxvi. 27.

For China :

“Their strength is to sit still.”—Isaiah xxx. 7.

THE Sino-Japanese dispute during the period 1931-34 was of great significance both as a symptom and a cause of the general trend of international relations during that period. The Japanese policy towards China which we shall now describe represented in extreme form the revival of aggressive Nationalism noticeable all over the world after 1931, whilst her successful defiance of the League system did much to encourage a pessimistic attitude towards the possibilities of harmonious international political co-operation. We have already related in a previous volume something of the nineteenth-century expansion of the Japanese Empire up to the point when, by signing the Washington Treaties of 1922, Japan seemed to have turned over a new leaf in her relations with China. These expectations were not fulfilled, and in 1931 Japan resumed with intense vigour a foreign policy whose roots went back into the nineteenth century and whose consequences were menacing to the peace of the world. At the cost of repeating to some extent a story told in briefest form in the first volume, we shall sketch in the background to Japan's aggression in 1931.

I

When the clan leaders of mediæval Japan observed in the middle of the nineteenth century that western civilization was advancing with predatory designs upon the Far East,¹ both overland from Russia and by sea from

¹ See Vol. I, Chapter I, pp. 8 *et seq.*

France and Great Britain, they determined to preserve their national independence and in doing so clinched a fearful and momentous bargain with the nationalistic dæmons of the western way of life. The leaders of the clans of Satsuma and Choshu who, with their lesser allies, overthrew the Tokugawa Shogunate and produced the semi-divine Emperor from his gilded cage at Kyoto as a symbol of national unity, perceived that in order to avoid a deadly embrace in the iron arms of the West, Japan must become a modern-style sovereign national state. Until the inauguration of the Russian Communist experiment, the Turkish experiment of Mustafa Kemal, and perhaps the Roosevelt experiment of 1933, history afforded no parallel to the completeness of the social transformation achieved in Japan during the latter part of the nineteenth century. It was only possible because behind a façade of papier mâché western democratic institutions the Elder Statesmen, or Genro, as they were named, wielded absolute power over a submissive and industrious people who were then emerging wide-eyed from feudalism. As part of her western-style policy it was necessary for Japan to expand upon the mainland of Asia. Her justification for this policy can be summed up as follows :

- (a) It was necessary to take the offensive against the Russian advance to Vladivostock and southwards through Manchuria. Just as Great Britain has always claimed that she cannot allow "a great Power" to dominate the Low Countries in view of what a Japanese would call "their geographical propinquity" to England, so Japan claimed a like interest in the western coastline of the Sea of Japan (Korea and South Manchuria).
- (b) Since Japan was now to become industrialized in order to support a growing population, she required raw materials such as iron, coal, timber, etc., which were only to be found on the mainland, and as these would have to be imported across sea routes it was deemed necessary for Japan to wield political

control over the areas in which these materials were to be found. Strategical control over the Sea of Japan was also necessary.

- (c) Japanese domination in the Far East would effectively keep out Western Powers who, at the beginning of the twentieth century, were gathering like vultures round the apparently rotting carcass of China.
- (d) There was always a remote chance that the huge conglomeration known as China, which was a civilization¹ rather than a nation, might one day become westernized and create a new world force which would easily be capable of crushing the Japanese grain of rice between its powerful jaws.

Japan pursued this imperialistic expansion on the north-east coast of Asia with a pertinacity and resolution which was one of the most remarkable features of *Our Own Times*. After 1919 this policy of forceful expansion was severely criticized in the West, but a Japanese was entitled to retort that his country was but following the example set her by European Powers in Asia and Africa, and by the U.S.A. in the Caribbean and elsewhere, during the pre-War years. The landmarks in the development of this policy were as follows :

1895. Victorious war with China. The full fruits of victory were taken from Japan by Russia, Germany and France. Net gains were the island of Formosa, an indemnity, and experience of modern war.

1905. Victorious war with Russia. The ring was kept by Great Britain owing to the Anglo-Japanese Alliance. Net gains: the seizure of Russia's position in Manchuria and the prestige due to the defeat of a "white Power."

1910. Korea annexed.

1914. Japan declared war on Germany and seized German base of Tsingtau as preparation for domination of Shantung Province in China.

¹ Japanese culture and art is derived from Chinese sources.

The Far East

1915. Presentation of "twenty-one demands" to China, virtually establishing a Japanese protectorate over that country. Notwithstanding their preoccupation with the Great War, the Powers protested and Japan withdrew her demands *in part*.
- 1916-18. Japan financed corrupt Northern governments in China and endeavoured to tie up China financially.
1918. Japan landed an expeditionary force at Vladivostok and endeavoured to seize Eastern Siberia during the weakness of Russia.
1919. Versailles Conference, at which Japan obtained "mandate" for ex-German Pacific possessions north of the Equator.
1922. Washington Conference, at which Japan was abandoned by Great Britain, who refused to renew the Anglo-Japanese Alliance out of deference to the wishes of the U.S.A. and the Dominions.

At this stage Japan was obliged to recognize that for the moment the use of naked force and the pre-War conception of nationalistic foreign policies in general were at a discount, and that the ideals of the League of Nations were in the ascendant. Japan was forced out of Siberia and Shantung Province, but she successfully resisted Chinese attempts to persuade the Powers to evict her from Manchuria. This was a period of set-back in Japan's Imperialistic policy.

It may be safely inferred that when at Washington Japan found herself isolated and obliged to apply for a white sheet in which publicly to renounce her ambitions in the Far East, the militarists who controlled Japanese policy foresaw that with the passage of years the then fashionable whiteness of the International linen would gradually reassume a dingy hue. In the meanwhile, pending the reversion to type of the European nations, Japan was firmly entrenched in Manchuria and the militarists could plan and plot for the next stage in a long-term programme

which had as its goal the day when all Eastern Asia would be warmed by the rays of the Rising Sun. Nevertheless, there was one consideration which made it possible that if the Japanese expansionist policy was left for too long in cold storage at Geneva it might be unusable when required for consumption. This consideration was the danger—from the Japanese point of view—that China might become organized on national lines.

It is impossible within the space at our disposal in this book to trace the growth of Chinese national consciousness, which, beginning after her defeat by Japan in 1895, was stimulated by the War and—internal dissensions notwithstanding—increased greatly during the post-War years. It expressed itself in a determination to resist all foreign encroachments in general and those of Japan in particular. The moving spirit in this national movement was Sun Yat-Sen, who died on March 12th, 1925. After his death the teachings of Sun were to the Nationalist Party of China what those of Lenin were to the Russian Communists. The conclusion of a treaty between China and Germany in 1921 on terms of perfect equality and reciprocity was a sign that in due course the Western Powers would be obliged to abandon their privileged extra-territorial positions. The Chinese national movement was stimulated by Communist propaganda and by Russian advisers who saw in the Chinese a convenient stick with which to beat certain capitalist Powers, particularly Great Britain.

The British, who had traditionally led the advance of western civilization upon China, and whose fleets during the nineteenth century had forced the Chinese to surrender Hong Kong (then but a barren island and pirates' lair), were obliged to bear the brunt of the Chinese attack on the privileged position of the Europeans in China. Various incidents culminated in a severe boycott against British goods during 1925, and on December 18th, 1926, the British Government published a memorandum in which it was stated that it intended to re-open the whole question of its relations with China, in order to replace the "unequal treaties" by conventions more in keeping with a twentieth-

century conception of the relations between sovereign states. During 1926 the Northern Government at Peking virtually disappeared, and the principal centre of rule in China began to be Nanking, where the Kuomintang, or Nationalist Party, was in power, and conducting various campaigns in an endeavour to extend its control as a Central Government for China beyond the Yangtze valley. Considerations of space make it impossible to describe the events which led to the rendition of the British Hankow concession to the Chinese, the despatch of the Shanghai Defence Force of three brigades from Great Britain and India, and the outrages at Nanking in 1927. It must suffice to say that with many ups and downs the Nanking Government continued to make very slow, but steady, progress in the organization of the country, the restoration of its finances, the revision of the unequal treaties, and the laying of the foundation of a Chinese national state. In this work the Chinese made increasing use of technical advisers provided by the League. By 1928-29 the Nanking Government appeared to have mastered its rivals and was recognized by the Powers.

In modern terminology China had been struggling to put across a "New Deal" ever since the Revolution of 1911. We were still witnessing in 1934 the early stages in the creation of a modern-style Chinese state, and it is the conviction of the writer that the nature of that creation will be of profound importance in the history of mankind during the Times to Come. Fortunately there are reasons for believing that the immensely powerful Chinese state of, say, the year 2000, may find in the support of a collective system of security an attitude in keeping with the Confucian philosophy which it is to be hoped will remain at the basis of Chinese civilization.

We left our consideration of Japanese policy in the Far East with the statement that the "hands off China" agreement at Washington, to which Japan was obliged to commit herself, would obviously become permanently established once China grew into a strong national state. It was, indeed, in order to give China the opportunity to

put her house in order that the Washington treaties were signed. It is important to remember that irrespective of party or faction the Chinese have never willingly recognized the Japanese position in Manchuria as the heir to "Russian pre-War rights" which China felt were partly filched from her. The fact that the Japanese took advantage in the ultimatum of the twenty-one demands of 1915 to reassert and extend their legal position in Manchuria was an additional offence in Chinese eyes, and there can be little doubt that if at any time during the post-War decade China could have forced Japan out of Manchuria and regained her "essential rights and interests, both corporeal and incorporeal, in Manchuria and Mongolia," she would have done so.

In the year 1931 the military party in Japan decided that the time had arrived to renew the advance which had been checked at Washington in 1922. It is only fair to say that the eclipse of the military policy in Asia in 1922 was not solely due to the pressure of the Powers at Washington, for in that year for the first time in Japanese history a civilian and liberal element stood up to the soldiers and sailors. From 1922-31 Japan's foreign policy had been irreproachably correct from the point of view of League standards and the new principles which were supposed to actuate the sovereign states of the post-War world. She had been an active member of the League and had professed to share with Great Britain, France, and the U.S.A. a desire to give all possible assistance to China in her difficult task of nation building. Then in 1931 the whole picture changed, and, seizing upon an incident—the murder of a staff officer in Manchuria—the Japanese General Staff started a military campaign in the three provinces of Manchuria, which was clearly directed towards the seizure of all Chinese territory north-east of the Great Wall.

How was it that after nearly nine years of relegation to the background the militarists were suddenly able to re-assume control of Japanese foreign policy and revert to methods which had been abandoned since 1922? Part of the answer is to be found in the economic crisis, which both

provided the psychological background needed in Japan to persuade the nation that a change of method was desirable, and at the same time limited the capacity of the Western Powers to intervene in the Far East.

The economic state of Japan in 1931 was serious. The price of raw silk, her principal export, had fallen heavily, and she had been badly hit by the rising American tariff. Wages were forced down in her industries. The value of her imports and exports in 1931 was almost 50 per cent. less than the figures for 1929. Unemployment increased rapidly. In these circumstances there were growing signs of political instability, and such domestic conditions are inevitably those for which a foreign adventure is the time-honoured remedy. The military party pointed to the economic distress and suggested that it was the consequence of a decade of pacifist policy. The world economic crisis, useful to the militarists as a pretext for the resumption of the expansionist policy by force, was also opportune since it ensured that the Western Powers would probably be too preoccupied with their own troubles to protest overmuch at the violation of the territorial virginity of the China they had undertaken at Washington to protect. It is a curious circumstance that the commencement of the Japanese campaign to drive Chinese troops out of Manchuria coincided almost to a day with the climax of the financial crisis in Great Britain. Who in Europe or America was likely to pay much attention to a little guerilla warfare around far-distant Mukden when the Samson of the gold-standard world was pulling down the pillars of his own temple? It was curiously well timed, but no more curious than the presentation of Japan's twenty-one demands to China sixteen years earlier at a time when Europe was immersed in war. It is not unreasonable to suppose that the Japanese General Staff counted upon cleaning up and annexing Manchuria with the minimum of fuss and loss of international respectability, and so securing a solid slice of the Chinese melon before the growing New China, nurtured at Nanking, could reach man's stature.

These expectations were not fully realized. The affair rapidly assumed the magnitude of an international incident of first-class importance. It was, indeed, a test case which was to strain to the utmost—some say to break irretrievably—the rudimentary system of collective security evolved in the post-War period.

2

The circumstances of the Sino-Japanese War of 1931-32—for it was a war in all but name—are complicated in detail but simple enough in broad outline. From the beginning of the disturbance it was evident that the civilian cabinet at Tokyo had very little influence with the General Staff, who were determined to seize Manchuria regardless of the consequences. As part of their policy they adopted a method which had been used with success in 1915—that is to say, they took more than they wanted and then abandoned as a great concession that which they had no immediate intention or desire to retain.

Thus, when the Japanese seizure of Manchuria caused anti-Japanese feeling in Shanghai, the Japanese Navy landed an expeditionary force at that port, and by February 1932 Japanese forces were invading China at Shanghai and, incidentally, meeting with unexpected and considerable resistance from Chinese troops. The international importance of Shanghai focused attention on this outrage, and, after much argument at Geneva, the Japanese graciously withdrew. Similarly the Japanese advanced southwards beyond the Great Wall into China in order to create a neutral zone between China and the provinces of Manchuria. In protesting against the incursion upon Shanghai and towards Peiping (Peking) the world was liable to forget that these offences were only additional to the first offence in Manchuria. The thief who had stolen the Chinese till thus laid his hands on the safe in order to give up the safe and keep the till.

Whilst Japanese troops were driving Chinese troops out of Manchuria and massacring Chinese civilians at and around Shanghai, the Chinese were appealing for help to

the League of Nations of whose Council Japan was a member.

It was the duty of the Japanese representative to make what excuses he could for the action of the military men who were then in control of Japanese policy; to gain time; to protest; to deny; to assert that Japan's action was remedial, inevitable, etc. etc.; to prolong debate; to keep up the appearances at Geneva of a Japan scrupulously anxious to honour all her international engagements, especially the Covenant of the League, the Washington Treaties and the Kellogg Pact. It was a difficult task, since the Chinese were equally active in providing the Council of the League with evidence that the actions of the Japanese Army and Navy were in contradiction to the smooth, if somewhat embarrassed, statements of Japan's representative at Geneva.

The Powers were in a difficult position, even though the U.S.A. indicated that in this particular question she was ready to collaborate with the League. Every attempt was made to persuade the Japanese to reverse their policy, but in vain, and week by week it became more difficult for the Powers assembled in League Council to avoid facing the fact that one League member was attacking another in violation of the Covenant. Yet, who was to bell the cat? It was all very well for the smaller Powers to press for stern action against Japan if she continued to defy world public opinion, but the business of putting pressure on Japan would fall to the lot of the Great Powers, and there was no blinking the fact that this might mean war on a large scale. In order to gain time the League Council adopted a proposal to despatch to Manchuria an International Commission charged with the duty of investigating matters on the spot and making recommendations. It was led by Lord Lytton and left for the Far East in February 1932. It reported in October 1932. The unanimous report was an able document. On the facts of the dispute it summed up heavily against the Japanese, but it recognized that Japan had great interests in Manchuria, and it made proposals which, if adopted, would have inaugurated a new chapter

in the history of Sino-Japanese relations. It was proposed that Manchuria should, under Chinese sovereignty, be given a large degree of autonomy and assistance by foreign advisers, and that this would safeguard both Chinese "rights" and Japanese "interests."

Whilst the world was awaiting the publication of the Lytton Report the Japanese were busy setting up a puppet state in Manchuria under the name of Manchukuo. On July 18th the Japanese Government announced its recognition of Manchukuo, and when, on August 8th, Mr. Stimson, the American Secretary of State, made a speech in which he stated that the Kellogg Pact had altered the old conception of neutrality to such an extent that the United States had kept touch with the League during the Manchurian crisis, the Japanese retorted by concluding a defensive treaty with Manchukuo. On October 1st the Report was published, and Japan was given six weeks in order to prepare a comment thereon. The gist of the Japanese observations was that the Report was inaccurate and unjust, that she had acted throughout in self-defence, that the establishment of Manchukuo was a spontaneous act on the part of the inhabitants of that part of the world, and, in short, that Japan could not accept the conclusions of the Report. The Assembly met on December 6th, and at this gathering China agreed to accept conciliation, and the opinion of the great majority of the delegates who participated in the debate was that Japan should accept the Lytton Report and that it was essential that Manchukuo should not be recognized as a sovereign state. Mr. Matsuoka repeated at length the Japanese case, and, whilst comparing Japan to Jesus crucified, he said that "the Japanese heart is adamant before threats and unwarranted criticism, but it is soft before acts of kindness, appreciation, and sympathy."

On December 9th the whole question was referred to the Committee of Nineteen Members of the Assembly which had been set up to deal with the Manchurian question, and that Committee was instructed to draw up proposals with a view to the settlement of the dispute and to submit these proposals to the full Assembly. Whilst this Com-

mittee was considering its findings the Japanese military authorities invaded the Province of Jehol and declared it to be an integral part of Manchukuo. This in effect placed the whole of Chinese territory north of the Great Wall in Japanese hands.

On February 24th the Assembly adopted the recommendations of its Committee, which were to the effect that the dispute should be settled on the basis of the recommendations of the Lytton Report. Japan was the only dissident in the Assembly, and her principal delegate, in the course of a speech during which he compared the position of Japan with that of the woman taken in adultery, gave notice of his government's intention of withdrawing from the League of Nations. This became effective on March 27th.

3

On March 1st, 1934, Mr. Pu Yi, the last descendant of the Manchu Dynasty which had been expelled from the Dragon Throne in 1911 on the establishment of the Chinese Republic, was installed as Emperor of Manchukuo. At the beginning of 1935, Japan, through her grip of Manchukuo, was still in undisputed control of Manchuria, although the states members of the League continued to refuse recognition to the puppet state.

Chinese opinion, whilst recognizing the practical difficulties at that moment of countering Japanese aggression, was divided on the question of the policy to be pursued. On the one hand there were those who considered that every possible means, such as boycotts and threat of military action, should be undertaken in order to keep up the struggle with Japan, and on the other hand there were those who argued that China's best policy was to reorganize herself internally in the hope that in due course she would be strong enough to regain her extra-mural provinces. This party maintained that in the meantime the growing strength of Soviet Russia and the hostility between Russia and Japan in connection with the Chinese Eastern Railway would be sufficient to prevent the military party in Japan from

proceeding with their policy of extending the Japanese sphere of influence to regions south of the Great Wall. It seemed that the advocates of the latter policy were in control at Nanking at the end of 1934.

Although the situation in the Far East, so closely resembling that which prevailed before the Russo-Japanese War of 1905, constituted in itself a serious menace to world peace at no distant date, its immediate consequences were manifest in the failure of the League system to deal with an international dispute. A blow had been struck at the whole system of collective security. This was the first case since the War in which a Great Power had been hailed before the bar of international public opinion as represented at Geneva, and there was no denying the fact that although the League system had, after much delay and many attempts to evade the issue, succeeded in pronouncing judgment, it had utterly failed to impose penalties upon the state which had ignored the sentence of the court. It was argued by those who believed that in the establishment of the system of collective security lies the hope for the future peace of international relations, that if in this test case the Great Powers had threatened Japan with economic sanctions, she would have accepted the Lytton Report, and that such a success for the collective system would have had far-reaching effects of a favourable nature on the Disarmament Conference.

Japan, having successfully defied the Powers in League Council assembled, was not disposed to waste time in the pursuance of her historic policy. A sensation was caused on April 18th, 1934, by a Press statement made by the spokesman of the Japanese Foreign Office, in which very far-reaching claims were made concerning Japan's "special position" in China. Important parts of the statement were as follows :

"Owing to special position of Japan in her relations with China, her views and attitude respecting matters that concern China may not agree in every point with those of foreign nations; but it must be realized that Japan is called upon to exert the utmost effort in carrying out her

mission and in fulfilling her special responsibilities in East Asia. Japan has been compelled to withdraw from the League of Nations because of their failure to agree in their opinions on fundamental principles of preserving peace in East Asia. Although Japan's attitude towards China may at times differ from that of foreign countries, such difference cannot be avoided owing to Japan's position and mission.

"It goes without saying that Japan at all times is endeavouring to maintain and promote her friendly relations with foreign nations, but at the same time *we consider it only natural that to keep peace and order in East Asia we must even act alone on our own responsibility, and it is our duty to perform it.* At the same time there is no country but China which is in a position to share with Japan the responsibility for maintenance of peace in East Asia. . . .

"We oppose, therefore, any attempt on the part of China to avail herself of the influence of any other country in order to resist Japan; we also oppose any action taken by China calculated to play one Power against another. Any joint operations undertaken by foreign Powers even in the name of technical or financial assistance at this particular moment after Manchurian and Shanghai incidents are bound to acquire political significance. . . .

"Japan, therefore, must object to such undertakings as a matter of principle, although she will not find it necessary to interfere with any foreign country negotiating individually with China on questions of finance or trade as long as such negotiations benefit China, and are not detrimental to peace in East Asia.

"However, supplying China with war aeroplanes, building aerodromes in China, and detailing military instructors or military advisers to China or contracting a loan to provide funds for political uses would obviously tend to alienate friendly relations between Japan, China, and other countries and to disturb peace and order in Eastern Asia. Japan will oppose such projects.

“Foregoing attitude of Japan should be clear from policies she has pursued in the past, but on account of the fact that positive movements for joint action in China by foreign Powers under one pretext or another are reported to be on foot, it was deemed not inappropriate to reiterate her policy at this time.”

The particular reason for this “calculated indiscretion,” which was echoed by the Japanese ambassador in Berlin, seems to have been the desire of the Japanese to put a red traffic light between China and certain measures of technical assistance which the League was proposing to afford that vast and unorganized country. The Chinese Government was convinced—and rightly so—that expert foreign assistance and credit were essential requirements for the success of their plans for a modern China.

The general reasons for Japan’s resumption of the policy of aggression have already been outlined in this chapter, and to them may now be added the following considerations which weighed heavily with the military party in Tokyo in 1934 :

- (a) There was to be a naval conference in 1935, and Japan had already stated that she would demand parity with the U.S.A. and Great Britain on that occasion.
- (b) In 1935 Japan’s withdrawal from the League would become definitive, and what would then be her position as regards the mandates she held over the Pacific Islands?
- (c) In 1935 the Russian second Five-Year Plan would be completed, and the Japanese believed that Russia might then be strong enough to try to settle accounts with Japan in the Far East.

For all these reasons Japan endeavoured by every means in her power to create a Far Eastern Monroe Doctrine and to keep Western influence out of Eastern Asia.

During 1934 it seemed as if Japan was preparing for war, and the high proportion of national expenditure spent on the fighting forces is shown in Table I below :

The Far East

TABLE I

<i>Date</i>	<i>Total Expenditure</i>	<i>Military Services</i>
1933-34 . .	Yen 2309 million	852
1934-35 . .	„ 2142 „	937
1935-36 . .	„ 2123 „	1021

A substantial increase in Japan's Air Force was in hand,¹ actuated no doubt by "intelligent anticipation" of the tremendous damage which might be inflicted on the densely populated areas of industrial Japan by Russian bombing planes from Eastern Siberia.

The reaction of Great Britain and the U.S.A. to the Japanese reiteration of her special rights was extremely unfavourable, and statements made in the House of Commons and the State Department at Washington made it clear that these Powers were not prepared to accept the Japanese claims, and that they stood firm by the Nine Power Treaty and other international agreements governing the rights and duties of states in the Far East. Brave words but hollow sounding, in view of the failure of the Powers to restrain Japan in Manchuria.

Relations between Japan and the industrial Powers of the West were further exacerbated during 1934 by the question of commercial competition.

As we have seen earlier in this chapter the rapid growth of her population forced upon Japan that policy of intensive industrialization to which the acquisition of raw material producing areas on the Continent of Asia was an obvious corollary. The pressure of economic necessity provided the pretext, if not the justification, for the Japanese policy in Manchukuo which we have just described. This policy was fraught with economic consequences which threatened international commerce with a problem second only in importance to the dangers which Japanese policy introduced into the sphere of international politics.

Thanks in part to a depreciated yen, in part—but by no

¹ In February 1935 it was announced that in 1935-36 Japan proposed to spend 270 million yen (£16 million approximately) on naval and military air armaments. (See *The Times*, February 19th, 1935.)

means solely—to low labour costs, and in part to extremely efficient organization, the Japanese textile industries, particularly cotton and rayon, gained a rapidly increasing share of the world's markets during the closing years of *Our Own Times*. Japan entered upon a new age in industrial production unencumbered with out-of-date plant and equipped with the latest type of machinery, bought to a large extent from her Western rivals. She also enjoyed a great advantage in that her industry, together with her shipping and banking, was in the hands of a very small number of wealthy families.

When it became evident by the decline in her sales of raw silk, one of the main branches of Japan's export trade, that silk produced direct from wood fibre was about to oust silk produced from leaves through the medium of the silkworm, Japan turned to the production of rayon. Between 1924 and 1931 her rayon output increased from 1·4 million lbs. to 47·5 million lbs. One of the immediate results of this was the decline in the Italian silk industry, and it is significant that the first task which awaited one of the newly formed Fascist Corporations was that of investigating the whole position of the Italian silk industry in the light of Japanese competition.

In Great Britain similar anxieties were felt as to the fate of the Lancashire cotton industry. Between 1930 and 1932 Japanese cotton exports increased from £290 million to £312 million. During 1933–34 pressure was brought to bear upon the National Government in Great Britain to counter the Japanese menace by means of tariffs; but the situation was by no means as simple as it appeared. In the first place, Great Britain had a so-called favourable balance of trade payments with Japan; and secondly, those who suggested that steps should be taken to persuade some of the Dominions, notably Australia, to put up barriers against cheap Japanese exports, forgot that to the British Dominions in the Pacific area the Far Eastern market, including Japan, was already of very considerable importance for their exports of wool and agricultural products, and was likely to become even more so when and if the standard of living of the teeming millions of the East was raised, as raised it must be in due course.

The Far East

Moreover, it was not inconceivable that if the agricultural exports from Australia and New Zealand to Great Britain were substantially checked by the development of home agriculture in the United Kingdom, these Dominions would try to become the dairy farms of the Far East.

In response to the agitation in Lancashire the National Government in 1934 decided to regulate by quotas the import of cotton goods into Great Britain and the Crown Colonies, and it was hinted that action of a similar kind might eventually be taken with regard to imports of rayon. These measures in so far as they tended to intensify the competition between Japan and Lancashire in the remaining markets of the world seemed unlikely to provide any permanent solution of the problem, a problem which could in the long-run only be solved by Lancashire itself. It seemed unlikely that Lancashire would ever again occupy the dominant position which was hers during the nineteenth century, but there was no reason to suppose that when certain very necessary reforms had been made in the whole structure of the British cotton industry, that industry would not be able to obtain its proper share of the world markets, especially if it realized that in all probability the cheaper counts will be manufactured in India, China, and Japan, and that the higher grade of manufacture was the proper and natural outlet for the skill and perfection of British manufacture.

Conclusion

At the end of *Our Own Times* the Far East shared with Central Europe the unenviable distinction of being one of the two areas in which the dangers to world peace seemed to be most real.

Moreover, the fact that in the Far East the webs of politics and economics were composed of strands which linked together London, Canberra, Moscow, Washington, Tokyo and Peiping (Peking) demonstrated beyond dispute the interrelationship of the principal states of the contemporary world. It was largely the menace to Russian interests of Japanese policy in Asia which had caused

Russia to seek the shelter of the League, a move in some ways analogous to that of the superstitious atheist who thinks there can be no harm in saying a prayer or two in moments of stress. Similarly the American recognition of the U.S.S.R. on November 17th, 1933, was influenced to a considerable extent by Japanese behaviour in the Far East.

At the preliminary conversations on naval matters held between the U.S.A., Japan and Great Britain in London during the autumn of 1934, the Japanese insistence on parity with the two great naval Powers threatened at one time to cause serious differences of opinion between Washington and London, as it was suspected in America that Great Britain was trying in some way or other to revive the Anglo-Japanese Alliance. The Japanese held fast to their insistence on naval parity, and as neither Great Britain nor the United States would accept the claims, the conversations came to an inconclusive end in December 1934. On December 23rd, 1934, the Japanese gave formal notice of their intention to terminate their adherence to the Washington Naval Treaty.

In China, in 1934, the slow but steady extension of the authority of the Central Government had been brought almost to a standstill by the impact of the world crisis, and by those disturbed political conditions which the President of the Executive Yuan, Mr. Wang Ching-Wei, summed up as follows¹:

“China is still dominated by feudal militarism. The people enjoy, generally speaking, very few rights; they are still far from the constitutional period, suffering under the oppression of a predatory militarist régime. Even under the nose of the Japanese invasion, armed forces have been utilized for the purpose of settling internal differences; and, in the last fighting in Szechuan alone, between 40,000 and 50,000 casualties were suffered. And while the Central Government is getting stronger every day, it is yet unable to exercise the full force of its authority over

¹ See *Survey of International Affairs*, 1933, p. 467.

the whole of the Republic, being in many parts hampered by the prevailing system of regional independence."

It should be here recorded that the effects of the World Economic Crisis did not reach China until 1932 for an unusual and interesting reason. As has been frequently mentioned in this study, the principal cause/effect of the crisis was the fall in the price level whilst costs of production lagged behind. The disparity between high costs and low prices abolished hopes of profit and caused economic activity to shrink and shrivel. But up to the end of 1931 prices did not fall in China, because her currency was based not on gold but upon silver, and as gold appreciated in terms of commodities (*i.e.* the price level fell in countries whose currency was based on gold) so silver depreciated in terms of gold, and as in China prices were expressed in silver they remained stable and even rose slightly. But after 1931 when the £ and the yen and dollar all left gold, the Chinese dollar began to appreciate—with serious effects on the Chinese export trade and a depressing effect upon her internal prices.

The above analysis is important because the experiences of China between 1929–34 seem to prove that a *rising* price of silver is *not* economically favourable to China, and it remained to be seen in 1935 whether the American policy of artificially raising the price of the metal in response to political pressure from the silver group in the Senate might not produce serious consequences for China.¹

Nevertheless, it seemed probable that as the crisis passed away China would resume her slow progress towards unification on the Western model. Whilst in 1935 the long-distance future of China was full of promise, especially as and when she could once more attract foreign capital, the national destinies of Japan were overshadowed by the possibility that at some date in the Times to Come she might have to pass through a period of violent internal readjustment preceded perhaps by serious economic diffi-

¹ For a detailed analysis of China's economic position see the Supplement to *The Economist*, May 19th, 1934, "China and the Depression," by Sir A. Salter.

culties. Japan in the East had defied the feebly organized forces of the Great Society, even as Germany had done in the West. Whether or not these defiances would in due course bring retributions could not be known in 1935. We shall content ourselves with expressing the view that we believe that in both cases it will be found that in the long-run all roads lead to Geneva.

CHAPTER XII

ECONOMIC RELATIONS (1931-34)

“Tyme, the trueſt Schoole-Miſtreſſe, hath taught all ages that no penalties nor policie, could yet interpoſe between ye Merchant and his proſitt.”—WILLIAM SANDERSON

(Gentleman, Cittizen and Merchant of London).

“However gradual may be the growth of confidence, that of credit requires ſtill more time to arrive at maturity.”—DISRAELI.

I

(a) *Introductory*

IT was in July 1931 at London that the Seven Power Conference, convened in order to extend credits to stricken Germany, was wrecked by the refusal of France to assist Germany except in return for political concessions.

When this Conference failed, an expert Committee was summoned to meet at Basle under the auspices of the Bank for International Settlements, in the hope that the experts might, in some way or other, succeed in that task of obtaining credits for Germany which had proved beyond the power of the statesmen.

The Basle Report appeared on August 18th, 1931, and said two things :

- (1) That only long-term loans would be of any use to Germany.
- (2) That there could be no hope of investors having any confidence in Germany until political mistrust had been removed and an assurance been received that Germany's reparation payments should not be on such a scale as to endanger her financial stability.

The Germans objected to these conclusions on the grounds that they assumed that some reparations would continue to be paid; the French objected on the grounds that a

diminution of reparations as fixed by the Hague Plan figures was suggested.¹

The British Government was anxious to follow up this Report by an International Conference, and suggested it should meet at Lausanne in January 1932. But meanwhile a series of events had occurred which eventually necessitated the postponement of the Conference until June of that year.

In September 1931, as we have related at the end of Volume I, the gold pound died of nervous exhaustion, and, in its death, brought down many tall trees and lesser saplings in the forest of the world's gold-standard system. It also exposed the United States dollar to the full blast of the financial crisis and a flight from that currency began to take place. Over \$329,000,000 worth of gold left the U.S.A. between the end of September and the 22nd October 1931, on which day M. Laval, the French Prime Minister, landed in the U.S.A. on a buccaneering visit to President Hoover.

On October 25th a joint statement was issued by President and Premier in which occurred the following passage :

“ Particularly we are convinced of the importance of monetary stability as an essential factor in the restoration of normal economic life in the world, in which the maintenance of the gold standard in France and the United States will serve as a major influence.”

The upshot of this visit was that in return for an assurance that France would not increase the drain of gold from the U.S.A. by withdrawing her short-term money, America undertook to remain on the gold standard and also to modify her opinion on the subject of war debts by admitting some relationship between war debts and reparation payments. Both categories of debts were, it will be remembered, in cold storage for a year under the Hoover Moratorium, but this new Franco-American understanding was of great importance when the question of what was to happen on the expiry of the Moratorium came to be discussed.

It may be asked why it was that the United States, whose Chief Executive had taken the initiative in June 1931 with

¹ See Vol. I, Chapter XV, pp. 341, *et seq.*

the moratorium proposals, had not followed up this good work by initiating a Conference which might hope once and for all to settle the international bugbear of inter-governmental debts? The answer to this question provides a striking example of the dangers of assuming a continuity in the foreign policy of the U.S.A. When Congress met on December 10th, 1931, President Hoover was obliged to bring before it for ratification his moratorium proposals, accompanied by a suggestion that the World War Foreign Debt Commission¹ should be reconstituted with a view to scaling down the debts owed by Europe to the U.S.A. It was clear that President Hoover desired to make his moratorium the basis for a further effort at international co-operation, but in the six months which had elapsed since June, the economic situation in the U.S.A. had gone from bad to worse² and Congress was in no mood to make any further sacrifices for the sake of the foreigner. A great deal of resentment had been caused by France's quibbling and grudging acceptance of the moratorium, and America was already working up for one of those periodic revulsions against European entanglements such as that which had destroyed President Wilson. This 1931 movement was in due course to destroy Hoover, and apparently alter the original policies of his successor, Roosevelt. In this mood, Congress refused to re-create the War Debts Commission, and only ratified the moratorium subject to the qualification that "it was against the policy of Congress that any of the indebtedness of foreign countries to the United States be in any manner cancelled or reduced."

Thus it came about that the British proposal that the Lausanne Conference should meet in January never materialized. Immense difficulties arose with the French, particularly when Dr. Brüning, the German Chancellor, hard pressed by the Nazi forces in Germany, announced in January that in any circumstances Germany could pay no more reparations.³ Since both France and Germany were to have elections in the spring it was eventually agreed that the Conference must

¹ See Vol. I, Chapter XI, p. 237.

² See Vol. II, Chapter X.

³ See Vol. I, Chapter XIX, p. 403.

be postponed until June, when it would meet "to agree on a lasting settlement of the question raised in the report of the Basle experts, and on the measures necessary to solve the other economic and financial difficulties which are responsible for, and may prolong, the present world crisis."

(b) *The Lausanne Conference*

The Conference duly met at Lausanne on June 16th, 1932, with the British Prime Minister, Mr. Ramsay MacDonald, in the chair.

The proceedings immediately took on the familiar aspect of a tug-of-war between Great Britain, France and Germany, conducted, however, on far more moderate lines than hitherto. Great Britain took the view that a settlement of reparations was an essential preliminary to any recovery of world trade, but as a great creditor nation she was anxious to avoid the bad precedent of naked repudiation. Germany produced the Basle Report in evidence of her claim that in view of her economic position further payments on anything but a nominal scale were impossible. She was prepared to contribute towards the economic reconstruction of Europe, but was anxious to obtain complete cancellation of the reparations' clause of the Versailles Treaty, which contained the obnoxious "War guilt" admission. Von Papen, who had succeeded Brüning as Chancellor,¹ backed up his case by pointing out that failure to grant these concessions and to meet in some way the growing German demand for equality of status, would be to give fresh stimulus to the Nazi Movement with, probably, disastrous results to the cause of peace on all fronts, economic and political. France took a firm line about the cancellation of the War guilt clause of the Versailles Treaty and deprecated too lenient a treatment of German demands, chiefly on the ground that a remission of all German payments would give her an unfair advantage over competitors who were themselves burdened with War debts. But M. Herriot's final speech, in which he said: "We French, gravely

¹ See Chapter VII, p. 139.

concerned with the affairs of our own country, have listened with emotion to the story of the sufferings of the German people with whom we wish to have cordial relations," marks a high-water mark in post-War relations between France and Germany.

The Lausanne Protocol, whilst reaffirming the validity of the Hague Agreements of January 1930, recognized that these Agreements could not be carried out owing to economic difficulties. It accordingly set forth a scheme under which the only payment to be made in future by Germany would be not to governments, but to private investors, the charges to be absorbed into her ordinary public debt. Germany was to deliver to the Bank for International Settlements German Government 5 per cent. bonds to the value of three milliard gold reichmarks. These bonds were not to be negotiated by the B.I.S. for three years, by which date it was held that they could be negotiated without endangering the financial situation.

The Lausanne Conference appeared to have been successful in effecting a settlement which would "completely put an end to reparations" in such a manner as—to quote the preamble to the Act—"to create a new order permitting the establishment and development of confidence between the nations in a mutual spirit of reconciliation, collaboration and justice."

But hardly had the echoes of the hurrahs died away ere rumours were heard that the Protocol was not the only agreement reached at Lausanne. These rumours soon crystallized into the news that the creditor Powers (Great Britain, France, Belgium, and Italy) had signed a Gentleman's Agreement to the effect that the Lausanne Protocol for reparations would not be ratified unless and until the creditors had reached a satisfactory arrangement concerning their own War debts to America.

This revelation caused intense indignation in the U.S.A., especially as it was laid down in the Gentleman's Agreement that this private pledge between the ex-Allies was not to be mentioned in the terms of the Protocol. The Americans were convinced that the Europeans were once more trying

to get to windward of them, and it was in vain that European opinion pointed out that the Laval-Hoover conversation had seemed to suggest that America had at last recognized a connection between War debts and reparations.

Amongst other recommendations of the Lausanne Conference, it was agreed that the League of Nations should be invited to convene a World Economic Conference, and a Committee of Experts was appointed to prepare an agenda for this Conference. But before we discuss this event it is necessary to say something of another offshoot of Lausanne, and that was the Stresa Conference.

(c) The Stresa Conference

During the course of the year the continued fall in the price level, coupled with the complete cessation of the international lending which had previously kept many a rickety nation on its legs, produced many situations of virtual bankruptcy, especially in Central and Eastern Europe. Austria, Hungary, Bulgaria and Greece were all defaulting upon their external debt by the middle of 1932, and particular scandal was caused by the fact that in the case of these countries some of the loans in default had been issued under the auspices of the League of Nations. The League's financial experts investigated the national financial positions of these countries and made recommendations which may be summarized as advice to balance budgets, coupled with temporary measures, such as increase of exchange restrictions, standstill agreements with debtors, reduction of imports, etc. etc., which might result in patching up the situation pending the arrival of the long-awaited recovery. It is interesting to note that all these short-term remedies partook of the nature of those restrictions and artificial controls upon the free functioning of the international economic system, which the same experts were all agreed must disappear before any real and lasting recovery could take place. The world was told that the economic system must move its arms and its legs if it was to serve humanity, but its arms

and its legs were at the same time put into the plaster of Paris of tariffs and the splints of currency restrictions¹ lest in moving they should fall off the body.

Of attempts to deal in a comprehensive manner with the plight of the nations in Central and Eastern Europe, other than Germany, there was but one ineffective effort. The Stresa Conference had two tasks: (a) to overcome the commercial and financial restrictions in Central Europe; (b) to deal with the low prices of cereals upon whose export the Central European countries depended for their existence.

The Conference met in September 1932. An indication of the magnitude of its financial task may be gleaned from the following table.² All figures are in millions of gold £'s:

Country	Visible Balance of Trade (Exports and Imports) ²	Public and Private External Debts (Long and Short Term)	Annual Sum required for Debt Service
Austria . .	-24.7	96.1	8.5
Bulgaria . .	2+1.8	28.3	1.4
Czechoslovakia .	+8.5	80.8	4.2
Greece . .	-10.3	95.8	5.6
Hungary . .	+0.6	149.6	9.8
Poland . .	+9.6	176.7	10.6
Rumania . .	+7.6	208.8	8.0
Jugoslavia . .	-	129.6 ¹	4.9 ¹
	—	—	—
	-5.4	965.7	53.0
	—	—	—

¹ Public debt only.

² A minus sign indicates surplus of imports over exports.

These eight countries had therefore to endeavour to find £53 million a year with which to pay their debtors, whilst as a body they were importing £5½ million worth more of goods than they were exporting.

¹ At the beginning of 1933 thirty-nine states and colonies were employing exchange restrictions of various kinds. For details see a remarkable table in *Monetary Policy and the Depression*, Oxford University Press. 7s. 6d. Pp. 106 *et seq.*

² Figures extracted from a detailed table on p. 88, *Survey of International Affairs, 1932.*

Both as regards its financial and its agricultural tasks the Conference was abortive. It was indeed clear that the evils it deplored in its recommendations were symptoms of the world crisis and that it was impossible to deal piecemeal and upon a sectional European basis with problems which must await treatment at the pending World Economic Conference.

As a footnote to this account of sectional attempts to deal with the crisis, it is worth mentioning that amongst a number of localized wriggles to which various European countries resorted in order to obtain some alleviation from the boa constrictor-like grip of the crisis was an attempt by Belgium, Holland and Luxemburg to form a low-tariff group in July 1932. Although the British Government was constantly proclaiming with one of its two voices that it desired to encourage freer trade, and although it was about to endeavour to create a low-tariff Empire trade group at Ottawa, it did its best to sabotage the proposed embryonic Customs Union by proclaiming that it would insist upon its rights under the Most Favoured Nation Clause. It is pleasing to be able to record that in practice His Majesty's Government seems to have relented in their hostility towards this "freer-trade" baby. A second footnote is to the effect that it was on December 31st, 1932, that, almost unnoticed by the slump-ridden capitalist world, Soviet Russia brought to a close her first Five-Year Plan.

(d) *The Outlook for 1933*

Reviewing 1932 as a whole, one may say that although it lacked the hectic excitement of the financial crisis of 1931, there was something ominous about its quiet gloom. Was it a calm before another storm or was it the comparative peace of exhaustion to be followed by recovery?

Politically, only in Germany was it clear that great changes were brewing, although the flouting of the League by Japan in the Far East and the deadlock of the Disarmament Conference—a deadlock closely connected with the German internal situation—were factors which boded ill for progress with the organization of peace.

On the economic side there had appeared to have been a steady deterioration everywhere except in Great Britain, which, as we have seen, was at that date not unfavourably placed to take advantage of any recovery which might occur. It was also true that the shattering events of the period 1929-32 had scraped much superfluous fat off the economic system in the shape of unpayable debts, even though this process had not gone so far in the U.S.A. as elsewhere. It seemed not impossible that the technical conditions for a world economic recovery of a moderate nature were present; that—as evidenced by certain feeble quickenings—the system was trying to recover if only men would give it a chance to do so.

The great World Economic Conference billed for 1933 would clearly provide the opportunity of showing whether the will to co-operate for the restoration of world trade was really as strongly entrenched in men's hearts as it was on the lips of their statesmen.

The curtain rose on 1933 and bewildered humanity waited expectantly to know its fate.

II

The World Economic Conference

It will be recollected that the terms of reference of the Lausanne Conference included instructions to discuss not only reparations but "other economic and financial difficulties which were responsible for, and might prolong, the world crisis," and the delegates at Lausanne agreed that the League should be asked to convene a world conference on "monetary and economic problems." At first America agreed to participate on condition that both War debts and tariffs were excluded, but when Roosevelt was elected President of the U.S.A. (November 1932), on a programme which included negotiations for reduction of tariffs, American participation became easier and was offered on the sole condition that War debts should be excluded.

It was generally hoped in Europe that the great victory of the Democratic Party in the American elections, coupled

with the tone of the speeches made by the President-elect, indicated that Roosevelt would find it easier to collaborate with Europe than had Hoover in the days of his declining power. This belief was encouraged by the spectacle of Mr. Ramsay MacDonald, the British Prime Minister, crossing the Atlantic in order to pay Roosevelt a visit and discuss "preparations for the World Economic Conference and the need for further disarmament." In April 1933 a joint statement was issued by the two statesmen which said that both Great Britain and the U.S.A. "were looking with a like purpose and a close similarity of method at the objectives of the Conference." The statement then proceeded to refer to the need of an increase of commodity prices, and of "constructive work to moderate the network of restrictions of all sorts by which commerce is hampered." It was further said that enterprise must be stimulated, and after mentioning public works, silver and the ultimate need of re-establishing an international monetary standard, the *communiqué* ended with the phrase: "The achievement of sound and lasting world recovery depends on co-ordinating domestic remedies and supplementing them by concurrent and simultaneous action in the international field."

The cynics observed that the President, helpless in the grip of vast and uncontrollable forces in America, had actually abandoned the gold standard whilst Mr. MacDonald was crossing the ocean to join him in creating a common front for an attack on the world's financial chaos! They pointed out that this abandonment of the dollar's golden mooring was in no way comparable with the action taken by Great Britain in 1931, and that there were no compelling external forces or pressures making the American action inevitable. These critics declared that America's action was a breach of international engagements for which the only excuse was that the maintenance of the gold content of the dollar would interfere with the President's plans for raising internal prices in America.¹

"But," replied the optimists, "observe the statement of

¹ See Chapter X, p. 217.

Mr. Cordell Hull, the Secretary of State, who has just remarked publicly that it was high time the American nation recognized its responsibility to lead the world back to freer trade." "Note also," chirruped the optimists, "the words of the President himself, the American Man of Destiny, in his message to the heads of states (May 16th, 1933), in which he said that the purposes of the Conference were—'The stabilization of currencies, the freeing of the flow of world trade, and international action to raise price levels'."

The cynics shook their heads and whispered: "You don't know your America. She is no more capable of maintaining a fixed and definite policy over a period of time than is the British Empire."

Events were to prove the cynics to be right.

Meanwhile a notable body of experts had been labouring for six months to produce an agenda for this Conference, and they presented their Report on January 25th, 1933. In the Introduction to this document were set forth the symptoms of world economic distress. Here are some extracts:

"Unemployment has been estimated as involving at least 30 million workers. . . . This huge total, which does not include the workers' families or dependants, is probably an underestimate. . . . Wholesale commodity prices—expressed in gold—have declined since October 1929 by roughly a third; raw material prices on the average by 50 to 60 per cent. In the middle of December, at Winnipeg, the price of wheat fell to the lowest level recorded in any primary market for wheat during the past four centuries. Such price-declines . . . have thrown completely out of adjustment prevailing costs of the various factors of production, have made business enterprises generally unremunerative, and have seriously disorganized practically all the world markets.

"World stocks of agricultural products and of other raw materials continue to accumulate. The index of world stocks for 1932 was double that for 1925. . . .

"Industrial production has been drastically curtailed

particularly in those trades producing capital equipment. The depths which have been reached in some instances are illustrated by the position of the United States steel industry, which, at the close of 1932, was operating at only 10 per cent. of capacity.

"The internal flow of goods . . . has been reduced to incredibly low levels. The total value of world trade in the third quarter of 1932 was only about one-third of that in the corresponding period of 1929. . . .

"Moreover, the quantum of goods in foreign trade appears to have fallen by at least 25 per cent.; by far the largest fall on record.

"As a result of price-declines and the fall in the volume of production and trade, national incomes in many countries have fallen, it is estimated, by more than 40 per cent. The revenues of Governments, as a consequence, have suffered sharp reductions, while expenditures have shown no corresponding decline. The inevitable result has been a series of budget deficits which, in some cases, have reached unprecedented proportions. . . .

"Only a handful of countries now retain free and uncontrolled gold-standard currency systems. Almost half the countries of the world are off the gold standard, and, in some forty countries, exchange restrictions have been imposed.

"Currency disorganization, price-declines, curtailment of trade have thrown into sharp relief the vast and difficult problems of indebtedness with which many, if not most, countries are confronted. As matters now stand, there are countries the total value of whose export trade has fallen below the sums required for external debt service alone. . . .

"Three years of world-wide dislocation have generated a vast network of restraints upon the normal conduct of business. In the field of internal trade, prohibitions, quotas, clearing agreements, exchange restrictions—to mention only some of the most widely employed forms of regulation—throttle business enterprise and individual initiative. Defensively intended, and in many instances

forced by unavoidable monetary and financial emergencies, these measures have developed into a state of virtual economic warfare. It is not only in the field of trade that this tension exists. In the difficult sphere of international monetary and currency relations and in the world capital markets, free international co-operation has given place to complex and harassing regulations designed to safeguard national interest. If a full and durable recovery is to be effected, this prevailing conflict of national economies must be resolved.

“The measures to be adopted to this end constitute the problem which the Governments must shortly face in London. In essence, the necessary programme is one of economic disarmament. In the movement towards economic reconciliation, the Armistice was signed at Lausanne; the London Conference must draft the Treaty of Peace. Failure in this critical undertaking threatens a world-wide adoption of ideals of national self-sufficiency which cut unmistakably athwart the lines of economic development. Such a choice would shake the whole system of international finance to its foundations, standards of living would be lowered and the social system as we know it could hardly survive. These developments, if they occur, will be the result, not of any inevitable natural law, but of the failure of human will and intelligence to devise the necessary guarantees of political and economic international order. The responsibility of Governments is clear and inescapable.”

In order to deal with these questions, the Agenda of the Conference was divided into two main divisions—financial and economic. Each division embraced three subjects, as follows :

1. *Monetary and Credit Policy*.—The Conference was recommended to restore the gold standard.
2. *Prices*.—Steps should be taken, calculated to raise prices and so reduce the disequilibrium between prices and costs and lower the burden of debt.
3. *Resumption of the Movement of Capital*.—The importance of the resumption of foreign lending was stressed.

4. *Restrictions on International Trade.*
5. *Tariffs and Treaty Policy.*
6. *Organization of Production and Trade.*

As we have already remarked, within a few months of the publication of this document, the domestic situation in the U.S.A. and its repercussions on the international economic policies of the President had greatly altered, and for the worse, the already chaotic state of the world's international monetary system. On the other hand it had long been clear that France, as the centre of the group of nations which clung tenaciously to the gold standard, was convinced that nothing could or should be done to reduce tariffs until the exchanges had been stabilized—in fact, if not in law. Moreover, as the day drew near for the opening ceremony, so also did the day when War-debts payments were due from Europe to the U.S.A. In June 1933 nearly six months had elapsed since Great Britain and France (and other debtors) had sent Notes to the U.S.A. requesting a reduction of their debts. No reply had been received—a delay due no doubt in part to the confusion caused by the change in the American administration.¹ In addition to this perplexity, the German economic situation was deteriorating, and on the eve of the Conference the Germans announced a grand default in the shape of a moratorium on all private and public long-term debts contracted before July 1931.² Finally, the delegates—trailing clouds of national self-sufficiency as they came—converged from all parts of the world into London in order to deliberate at a Conference designed to promote international interdependence!

Was it chance, or some god with a sense of humour, or merely a cynically-minded student of foreign affairs in the British Office of Works, who arranged that the venue for such a Conference at such a time should be the Geological Museum, South Kensington.

¹ It was announced on June 14th that America would accept "token payments" as evidence of no default. France and other debtor countries made no payment. Great Britain transmitted \$10 million in silver. Finland paid in full (\$148,592). In December 1933 Great Britain made a further token payment of £11½ million.

² See Chapter VII, p. 153.

It already seemed possible that the Conference was either two years too late or five years too early, when on the 12th June His Majesty King George V rose to his feet and inaugurated one of the most comprehensive and imposing international gatherings ever recorded in history.

He said: "I appeal to you all to co-operate for the ultimate good of the whole world. . . . It cannot be beyond the power of man so to use the vast resources of the world as to ensure the material progress of civilization. . . . There has come a new consciousness of common interests to the service of mankind."

The King left the Conference, and its President, the British Prime Minister, addressed the delegates. He told in eloquent tones of how "The fate of generations may well depend upon the courage, the sincerity, the width of view which we are to show. . . . We must not fail,"

The first few days were occupied by the business of "outlining national positions." The French plumped for the rapid restoration of the gold standard, so did the Italians and Poles. But these nations had not much to say about tariffs. Mr. Neville Chamberlain, speaking for Great Britain, said that many things were desirable, such as a reduction of tariffs and a return to gold, but at that moment their desirability was in almost inverse ratio to their practicability. In other words, Great Britain did not show any signs of desiring to descend from the top of that fence between the free-trade and the planned-trade world upon which the National Government had assumed a waiting and watchful position. Mr. Cordell Hull, for the United States, demanded a reduction of tariffs. At this juncture (June 17th) news leaked out that the Central Banks of Great Britain, France, and the United States were planning a temporary exchange stabilization agreement. This information produced a slump on the New York stock-market, whose optimism was rising on the expectation of a "commodity dollar." It also produced a statement from Roosevelt that these stabilization proposals were quite unacceptable to him. From this moment the American delegation in London was in a state of complete confusion.

Its members contradicted each other and were severally and jointly contradicted by the President. It seems clear that by this time the American President was convinced that his only interest in the World Economic Conference was the negative one of ensuring that in its Councils his representatives did nothing which would bind the U.S.A. to economic international co-operation. Mr. Ramsay MacDonald exercised all his atmosphere-creating powers to avert a breakdown. He denied that the situation was "cloudy or uncertain," and on June 23rd, at a Press meeting, he declared in regard to rumours of an adjournment that "a more foolish suggestion at this moment cannot be imagined." On June 30th a compromise-statement between gold and non-gold monetary policies was drawn up by all concerned, including the Americans and Professor Moley—one of the members of the Presidential brain-trust who had been sent over from Washington to keep the official delegation in order. The response which this statement drew from President Roosevelt was staggering. He spoke of the proposal (to aim at stabilization) as being made "the excuse for the continuation of the basic economic errors that underlie so much of the present world-wide depression"; of the "specious fallacy of achieving a temporary and probably artificial stability in foreign exchange"; of "the old fetishes of so-called international bankers"; of the need of balancing budgets and "ability to service Government debts."¹ It was clear both by the manner and matter of the latest Ukase from the White House² that the Conference was beating the air and wasting the time of its members. The French said so politely but firmly, and the Conference foundered irretrievably upon the rock of currency stabilization. In the words of the Soviet delegate, M. Maisky, the Conference became "deeply penetrated by one fundamental mood—adjourn-

¹ When the President addressed these last two irrelevant homilies to Europe, the American deficit was the largest in the world (about \$800 million), whilst America had also dishonoured her obligation to pay interest in gold to foreign bondholders.

² To be strictly accurate this astounding document was written by the President himself whilst isolated from his officials on board the cruiser *Indianapolis*.

ment." The "foolish suggestion" of June 23rd became an accomplished fact on July 27th when the World Economic Conference adjourned *sine die* . . . and that was that. The way was now clear for a further outburst of economic nationalism, and the nations retreated into their national zarebas, from the fastnesses of which they hurled at each other quotas, exchange restrictions, and other impedimenta to world trade. Many of these weapons are similar in behaviour to the boomerang of the Australian aboriginal—like Western man (*circ.* 1933), a primitive creature—which returns upon the thrower.

The conclusion of this abortive Conference was also the occasion for two declarations of currency policy. One was made by the gold standard countries, in which they declared their unshakable resolve to adhere to the gold standard; the other was made by the representatives of the British Empire states. This latter was a cautiously worded document stating the desirability of stabilizing the Empire exchanges, which in years to come may be seen to have had considerable significance as a characteristically vague and tentative starting-point of an all-British monetary policy. The one man who most certainly looked back with satisfaction upon the seven weeks during which the Conference laboured to its inglorious close was M. Litvinoff, the Russian Foreign Minister. At the Conference itself he made a speech in which he pointed out with undeniable logic that the world crisis was fundamentally one of underconsumption. His remedy—greeted with polite scepticism by his fellow-delegates—was the advance to Russia of enormous credits which would, he averred, permit her to absorb about a billion dollars' worth of goods. He was probably right, but in all such transactions the question of the liquidation of the debt is the cause of hesitation on the part of the owners of capital. But it was not in Conference matters that M. Litvinoff scored his success. He took advantage of the presence in London of the world in session to conclude a series of non-aggression pacts and treaties between Russia and all her border neighbours. They were agreements which dealt in a

very practical manner with the vexed problem of defining the aggressor and also bore witness to the growing international prestige of the Soviet Union, a prestige which was to be further reinforced when a few months later that country received official recognition from Spain and the U.S.A.

III

Conclusions

The spectacular failure of the Economic Conference, whose solitary achievement of any importance was an agreement by the principal wheat-exporting countries to limit their exports during the next twelve months,¹ convinced the world that, for the time being, there was little hope of seeing a restoration of anything resembling the nineteenth-century type of Free Trade international economy. Its failure served as an encouragement to the advocates of economic nationalism, and "economic rearmament"² was resumed. The world-wide tariff truce, which had been adopted at the suggestion of the United States a few weeks before the Conference opened, was promptly abandoned by all states of importance, and in the fields of both commerce and finance the swing towards self-sufficiency and isolation was accelerated. In finance the Annual Report of the Bank of International Settlements summed up the further deterioration in the international financial situation by stating that this period was marked by a series of "retrograde developments and was remarkable for more moratoria, more transfer impediments, more artificial clearings, more gold hoarding than any year on record, more conversion of foreign balances and their repatriation into the home currency or in gold by private and central banks, an almost complete cessation of new long-term lending abroad and a further limitation or reduction of the volume of short-term credit."

The failure of the World Economic Conference was followed by an outbreak of commercial treaty-making

¹ An agreement subsequently broken by the Argentine.

² See *World Economic Survey*, 1933-34, p. 15.

and trade agreements which, though they contained the Most Favoured Nation Clause, also included various devices such as quota arrangements, regional preferences and "special understandings" which, in fact, confined the advantages of the arrangement to the two countries between whom each agreement was concluded.

But to describe this intensification of nationalism is to tell but one-half of the story. On the other side must be recorded the fact that looking backwards from the vantage point of 1935 it is clear that in many parts of the world the fury of the economic crisis had spent itself at the end of 1932. From that time onwards there were some evidence of recovery in all those parts of the world which had depreciated their currencies either from necessity or from choice. It is arguable that the recovery in the "sterling area" was achieved to some extent at the expense of the gold-standard countries, because as soon as a country went off gold its exports became cheap in the world market as compared with those still priced in the gold currencies; but it is almost certain that the depreciation of the £ and later on of the dollar were very important factors in reducing the *real* burden of the world's debt structure. For example, whereas in 1930 a German debtor who owed £1 in London thought of it as a debt of 20 marks, after 1931 it became a debt of about 14 marks. We have already indicated in this study our belief, that amongst the many causes of the crisis, one of the most important was the over-toppling effect on the stability of the world's economy of a great structure of debt, internal and external, which became progressively more grievous and onerous as prices fell. Any reduction of this debt tended to make it easier for the national forces of recovery to assert themselves. Not only was debt reduced by currency depreciation, but as we have seen, it was also reduced by conversion schemes, by defaults, and, in the case of reparations, by international agreement at Lausanne.

Finally, it is necessary to bear in mind that all over the world there were thousands of individuals who, in season and out, struggled to adjust themselves and their

business to the rapidly changing conditions of the times. They may be compared to soldiers of the British Expeditionary Force in 1914. Those soldiers were trained in open warfare, in operations of freedom of manœuvre; by 1915 they were in trenches and involved in a type of static warfare. They adapted themselves to those conditions and evolved a new technique. Similarly, the business man of 1931-34 had been brought up to operate in a world whose economy was more or less Free Trade and *laissez-faire*. He found himself at the end of the crisis in a world bristling with the barbed wire entanglement of quotas, tariffs, exchange restrictions, bilateral agreements, embargoes and similar obstacles to trade. He found himself in a world in which the Government interfered more and more in his business. He adapted himself to these new conditions and made the best of what seemed a bad business. We shall venture to carry the analogy a little further and say this :

The thoughtful allied soldier of 1915-18 realized that the ultimate purpose of his activities must be to advance, and in 1918 he did advance, but by methods and in a manner undreamt of in his philosophy of 1914. Similarly, the thoughtful civilian of 1931-34 realized that the purpose of commerce was the exchange of goods, and we believe that by 1935 an advance in this matter had begun to take place, but by methods and in a manner quite different from those once believed to be fundamental to the prosperity of world trade.

Just as in the War the years 1915-18 were the time of "crisis" during which new methods were evolved to achieve the underlying purpose of the struggle, so the period 1931-34 with its experiments and improvisations marks a crisis in the development of economic intercourse between national groups.¹

The World Economic Conference might not have been such a failure if those who controlled its destinies had appreciated that already the first pale rays of the sunshine of recovery were gleaming on the horizon.

¹ This point is further discussed in Part III of this volume.

The error was unfortunate but wholly understandable because, contrary to all the teachings of the past, this sun was rising not in the East of Free Trade and *laissez-faire*, but in the West of Planning; and a sunrise in the West is something to regard with misgiving, for it means that the world has reversed the direction of its motion! We believe that as recovery slowly gains ground, the compass bearing of the sun of prosperity will be seen to be about North-East, or, to put the matter less nautically—we shall find that the world will settle down into a state of international economic activity which, whilst substantially more “free” and “*laissez-faire*” than the present state of affairs, will be quite clearly more planned and regulated than the kind of unsocialized world in which Great Britain rose to greatness during the nineteenth century and which she tried to restore during the years 1920-31.

Nevertheless, though we are able to conclude this chapter on a note of restrained hope, the picture would be distorted did we not issue both a warning and a reminder. The warning is this. Whatever be the precise nature of the semi-socialized states of the future and their economic relationships, it will be necessary if economic progress is to be made that due weight be given to the importance of specialization of function. It is the essence of mutually profitable trade that group “A” should be prepared to rely upon group “B” for some commodity which the “B’s” can make with less effort than is needed by the “A’s,” and that the “B’s” should be willing to place a similar dependence on the “A’s.” We will not deny, in fact we have emphasized throughout this study the supreme truth of the statement that man doth not live by bread alone, but we also desire to emphasize that if for some non-economic purpose, economic principles are ignored, the economic price *must be paid*.

For half a century previous to 1929 world production increased at the rate of approximately 3 per cent. per annum. But during the period 1929-34 it fell by 8 per cent. During this same period the gold value of world trade fell to about one-third of what it was in 1929; its

volume fell by 30 per cent. The population of the world continued to increase at its normal rate of 1 per cent. per annum. There were more people in the world; there was less wealth. The inevitable result was a lowering of the standards of living in 1934 sensibly below what they were in 1929, and substantially below what they might have been had there been no crisis. In simplest possible terms we can imagine that for every £1 MAN had to spend in 1929, in 1934 he had 18s.; he might have had £1, 2s.

That difference of 4s. multiplied millions of times was the material price of economic nationalism, and it led to profound misery and distress in millions of homes. The victims were for the most part unconscious of the cause of their misfortunes. They were puppets controlled by forces seemingly remote from and incomprehensible to the ordinary man as he battled to retain his standards of life. But in the last analysis the issue which governed all these matters awaited determination in the heart of Everyman.

CHAPTER XIII

POLITICAL RELATIONS (1931-34)

"As half in shade and half in sun
This world along its path advances. . . ."

THOMAS MOORE.

I

IN matters political, as in matters economic the closing years of Our Own Times have witnessed a dualism of policy. In the economic sphere we noted that attempts to bring about international co-operation, attempts which culminated in the World Economic Conference, proceeded side by side with what may be described as regional and local attempts to restore economic activity. So we shall find that in politics the attempt to produce a co-operative and world-wide solution of the problem of organizing peace through the medium of the General Disarmament Conference, was accompanied and succeeded by various smaller bites at the cherry; nibbles which took the form of regional pacts. We shall begin this chapter with a continuation of the story of the efforts to bring about disarmament through the offices of the League,¹ and we shall conclude it with an account of some of the regional efforts to organize peace.

2

In the spring of 1931, as the outcome of the lengthy negotiations described in our first volume, the Sixty-sixth Session of the Council of the League at long last fixed February 2nd, 1932, as the date for the opening of the General Disarmament Conference. It was already clear when this decision was taken that world economic conditions were deteriorating so rapidly that no man could

¹ See Vol. I, Chapter XIII.

foresee what maleficent influences would be brought to bear upon international political relations in general and upon the task of organizing peace in particular. We have seen in the concluding chapters of Volume I how the financial crisis developed, and we have traced the resultant growth of economic nationalism, the tendencies towards self-sufficiency as exemplified in the policies of individual states. We have also described how Japan resumed that policy of militarist expansion which she had been obliged to abandon at Washington in 1922.¹

It is against this background that we must consider the story of the First General Disarmament Conference. Even during the year 1931, when the final preparations were being made, there were ominous developments, one of which was the fact that on May 19th a new German battleship—the *Deutschland*—entered the water at Kiel. This craft was a veritable cat amongst the pigeons. By the Treaty of Versailles, Germany was limited to six battleships, each not to exceed 10,000 tons displacement. By very costly experimental work, leading amongst other things to a saving of 800 tons of weight by substituting electrical welding for rivets, the German naval constructors, with an ingenuity as disturbing as it was remarkable, produced a craft armed with six 11-inch guns, heavily armoured, with a maximum speed of twenty-six knots and a cruising radius of 10,000 miles at twenty knots. The 41,000 ton British *Hood* was one of the very few ships in the world capable of mastering this monstrous product of the penal clauses of the Treaty of Versailles. At the sound of the *Deutschland's* name a shudder of apprehension vibrated down the keel of every 10,000 ton cruiser and of many a battleship of the world. And she was to be the first of six!

The French Senate immediately passed a grant of £19 million for the completion of a chain of fortifications on the eastern front and the French Admiralty began to plan "a reply" in the shape of the 23,000 ton *Dunkerque*. Plans Division in the British Admiralty was not idle.

It was in this uneasy atmosphere that the twelfth Assembly

¹ See Chapter XI, p. 242.

met at Geneva. At this time the Powers were grappling with the Central European debacle and the Germans were flatly refusing to continue to pay reparations even on the reduced scale laid down in the Young Scheme. The gold standard was collapsing in every direction. At the Assembly the Italians proposed an arms truce for one year during which the nations should agree not to increase their forces. This was accepted.

By the shores of this Swiss lake one could persuade oneself that the problem of disarmament was being taken seriously, and that it was not altogether impossible to suppose that the nations having at last, after a decade of interminable discussion, shilly-shallying and bargaining, been forced to face up to the starting gate, there would be movement forward when the flag fell in February and Uncle Arthur Henderson was confronted with the task of whipping and cajoling the unruly field down the course. For at Geneva the constructors were at work upon the special hall which was being built for the Disarmament Conference; the Secretariat were examining and co-ordinating the immense mass of documents bearing on the multifarious aspects of disarmament, including the national memoranda collected during the summer of 1931.

But these were illusions fostered by the Geneva atmosphere. In fact, the centre of gravity of the world's political and economic mass was no longer at Geneva. In the autumn of 1931 the Japanese had invaded Manchuria and were still defying the League as the delegates concentrated on Geneva in January 1932. In Germany the Nazi Movement went from strength to strength. At Ottawa, Great Britain struggled to preserve her economic independence from Canadian assaults. In the U.S.A. the inhabitants of God's Own Country began to suspect the existence of God's Own Hell. The World Economic Crisis spread across the world like a plague and the price level fell and fell. Those high hopes of 1926 now seemed to be mocking mankind. It was against this gloomy background that on February 2nd, 1932, the curtain rose at Geneva upon the long-awaited World Disarmament Conference.

It was a brave show to see the delegates from some sixty nations sitting in the new hall. The whole world sitting in council to disarm; not even excluding the Japanese, those infinitely courteous, smiling and correct little men whose armies and aeroplanes were at that very instant spreading death and destruction on the territory of the Chinese gentlemen sitting at a decent distance from their fellow-Orientals.

The President, brilliantly served by the League Secretariat and by the able, indefatigable, optimistic Philip Noel Baker, rose to his feet. The gigantic and tragic farce had begun.

It was ominous that the opening speech of the President, Mr. Henderson, should have been delayed for an hour pending the conclusion of an emergency meeting to discuss a critical development in the Sino-Japanese dispute. The shadow of the triumph of force in the Far East lay heavy on the first phase of the Conference. Yet in spite of wavering confidence in the ultimate triumph of justice there was an outburst of public opinion in support of the principles of disarmament in the months prior to the opening of the Conference. Mass meetings were held in Great Britain, France and the United States, and one of the first acts of the Conference on its assembly was to consider a mountain of popular petitions amongst which was one bearing eight million signatures emanating from the Women's International League in fourteen countries.

The first phase of the Conference lasted from February 2nd to July 23rd, 1932. The basis of discussion was the Draft Convention, the fruit of ten years' work.

No figures were given for the size of military forces, except that the limitations of the Washington and London Treaties were quoted by way of illustration. All it claimed to do was to provide a framework for the limitation of all forms of armaments into which the Governments represented at the Conference could insert agreed figures of military personnel.

It laid down a common basis for the computation of military effectives and the period of military service.

The budgetary limitation of expenditure on all types of

war material was agreed to in principle, but no limitations were made as to the use of any particular weapons of land warfare.

Total global tonnage was adopted as the method of limiting the size of naval forces, and with regard to aeroplanes the criterion was to be the number and total horsepower. It also recommended that precautions be taken to prevent the incorporation of military features into civil aircraft. Finally, a Permanent Disarmament Commission was to be appointed to maintain continuous supervision of the workings of the Convention.

As has been previously stated, this Draft had been accepted subject to innumerable reservations by the Governments concerned, and in the case of Germany acquiescence in principle was combined with repudiation in every detail. The chief stumbling-block from the German standpoint was clause number fifty-three, in which it was provided that "the present Convention shall not affect the provision of previous Treaties under which certain of the High Contracting Parties have agreed to limit their land, sea, or air armaments." Count Bernstorff's comment on this was that "to accept it would be tantamount to a renewal of the German signature to the disarmament clauses of the Treaty of Versailles." The announcement of this clause was the signal for a Press campaign in Germany on the subject of equality of status; and it became clear, even at this stage of the Conference, when a democratic government was still in control of Germany, that the only way to secure German co-operation was through a measure of general disarmament down to something approaching the German level.

During this first period considerable progress was made with subsidiary questions. A number of committees were appointed to carry out detailed investigations, of which the most important was the inquiry into the manufacture and sale of armaments. Considerable time was spent in listening to speeches from all the principal delegates, in which the positions of the various countries were made clear.

France, supported in general by the Little Entente and Poland, contributed further improvisations on her perennial theme of security first, which she proposed to ensure by the creation of an international force for use against an aggressor.

Dr. Brüning stated in firm, though moderate terms, the German case for equality of status.

Great Britain and the United States contributed no detailed proposals and their attitude continued to be one of opposition to any guarantees of security until a genuine move was made towards disarmament.

The suggestions of the Soviet emissary, M. Litvinoff, that the work of a Disarmament Conference should be based on the principle of general and complete disarmament, was received with no enthusiasm except by the Turkish and Persian delegates.

Inevitably, in view of this welter of conflicting opinion, no agreement was reached during the first phase on matters of principle. The Conference had agreed, before it adjourned on July 23rd, 1932, that "substantial" measures of disarmament should be elaborated and that the main objective must be the reduction of the possibilities of aggression. Confronted with the task of defining aggressive weapons the experts endeavoured to prove that every conceivable weapon, including tanks, or "*Chars d'Assaut*," as the French rather unfortunately call these mechanized monsters, were blamelessly defensive.¹ A measure of agreement was accorded to the proposal for the abolition of air bombardment and for the control of civil aviation. A Permanent Commission was agreed to and the armaments truce prolonged. There were a considerable number of dissentients, chiefly amongst the states penalized by the Peace Treaties, and Germany, unable to secure modification of Clause 53, formally withdrew from the proceedings of the Conference.

It was obvious that no further progress could be made

¹ An interlude of almost comic relief was afforded when a British Admiral treated the Conference to a speech in which he argued that battleships were defensive. As a cynical Frenchman observed: "We now know when battleships are defensive. . . . It is when they fly the White Ensign or Stars and Stripes."

until some formula had been devised by which the French insistence on the inviolability of the disarmament sections of the Peace Treaties could be reconciled with the German demand for equality of status. The next two months were spent in a vain attempt to devise such a formula, and when the Bureau of the Conference met on September 21st, no decision had been reached.

The second phase of the Conference, which lasted from September 21st to December 14th, 1932, was dominated by anxiety to get Germany back to the Conference room. Fresh plans were put forward both by the British and French Governments, the only importance of which was that in each case attempts were made to tempt the Germans back into what to German eyes seemed a dangerous trap. The French plan in a preamble to a further elaborate scheme of sanctions talked of "Progressive equalization of the military status of the various countries of common action, *all question of rearmament being ruled out.*" The last phrase is significant in view of the important change of attitude which had meanwhile taken place in Germany. By this time the National Socialist Movement was rapidly gaining ground, and the German Notes were couched in more aggressive terms. In September the Bureau received an intimation from Berlin that in so far as they had failed to disarm, the ex-Allied Powers had broken the disarmament clauses of the Versailles Treaty and consequently released Germany from her undertakings in that respect. To this announcement the French retorted with a *tu quoque* to the effect that the Germans had already infringed the disarmament section, and the British Foreign Office took refuge, with singular absence of tact, behind a strictly legal interpretation of that clause of the Treaty which defined—or rather failed to define—the obligations of the victorious Powers to reduce their armaments. This excursion into legal niceties aroused a storm of protest both amongst the smaller foreign Powers and a considerable section of the British public. A deputation headed by the Archbishop of Canterbury visited the Prime Minister to protest against a discreditable evasion of a moral, if not a legal, obligation.

But so far as German public opinion was concerned the harm was done.

The tentative British plan, propounded by Mr. Baldwin in the House on November 10th, included a recognition of Germany's moral claim to equality of status.

On December 11th a big step forward appeared to have been taken when the Five Principal Powers, under the Chairmanship of the British Prime Minister, evolved a formula stating "that the principle of equality of rights in a system which would provide security for all nations should be embodied in the Convention containing the conclusions of the Disarmament Conference." Unfortunately the wording of this declaration which was submitted to, but not formally adopted by, the Conference, was sufficiently vague to allow of wide differences of interpretation. But it served its purpose in so far that Germany agreed to return to the Disarmament Conference.

The third, and in many ways the most decisive, phase in the life of the Conference opened on February 2nd, 1933. At an early stage in its proceedings discussions took place on the Russian proposals for the definition of an aggressor. These proposals were not adopted by the Conference but, as will be seen later in this chapter, they were subsequently embodied in a series of treaties between European states. The British delegation then put forward suggestions for the drawing up of a programme of work, giving a time limit to the discussion of the various subjects under review, a suggestion promptly seized upon by the French, who proceeded to table a demand that discussion of the security question be given priority. This attempt to secure some sort of *quid pro quo* for the cryptic declaration as to German equality of status met with firm opposition from the British and American representatives.

The opening stages of the third phase of the Conference were overshadowed by two important developments in the political situation. On February 24th, Japan, having refused to accept the unanimous recommendation of the Assembly as to the settlement of the dispute with China, gave notice of her withdrawal from the League. An event of equal signifi-

cance was the result of the German elections on March 5th when Herr Hitler's *coup d'état* was confirmed by an overwhelming majority of the German electorate. It was evident that the Nazis were firmly in the saddle, and widespread apprehensions were felt throughout Europe as to the policy which would be adopted by a Government which announced that "Germany cannot further be branded as a second-class nation, but must be recognized in the world as a factor of equal rights." These apprehensions were somewhat allayed by a speech made by Chancellor Hitler on May 17th in which he disclaimed any idea of resorting to force and urged the need of a general disarmament to the German level.

On March 16th Mr. Ramsay MacDonald, in a dramatic speech to the Conference, urged the vital urgency of lifting the question of Disarmament from the plane of academic contemplation to that of objective realities. He submitted to the Conference the complete draft of a new Disarmament Convention embodying such measure of agreement as had been reached to date, and inserting into the blank framework of the original draft definite figures for the limitation of military forces. The table of average daily effectives gave the U.S.S.R. the biggest army in Europe (500,000) and no other state was to have a home army of more than 200,000. In addition, France was allowed 200,000 troops stationed in her overseas dependencies, and Italy 50,000. The period of service was to be from eight to twelve months. The maximum size of land guns was fixed at 105 mm. (the German limit) for the future, and in the meantime at 155 mm.; the maximum weight of tanks was to be 16 tons. Naval armaments were to be stabilized on the basis of the Washington and London Treaties pending a Naval Conference to be held in 1935. As regards the air arm, the abolition of military aircraft and aerial bombing¹ was accepted in principle, but was made contingent upon the establishment of a system of control of civil aviation. As a first instalment it was proposed that the Great Powers

¹ An important reservation on the subject of aerial bombing was made as regards its practice for police measures in outlying regions.

should limit their first line aeroplanes to 500, with proportional reductions for the lesser Powers. On the question of security the British proposals were couched in cautious terms. They provided machinery for a rapid conference in cases of emergency between states-members of the League and non-member states such as the United States and Russia. The idea was to permit the inclusion of these powerful non-member states in any League Conference which might be summoned in the event of a threat of aggression. The British proposals were somewhat negatively reinforced by a declaration made by the United States that if America concurred in the general verdict as to who was the aggressor in any given case, she undertook not to interfere with such collective measures as might be concerted against the offending state. A rather meagre measure of support—or rather of abstention from obstruction—but some advance on the former American attitude of rigid neutrality.

A period of five years was prescribed within which effect should be given to the provisions of the Draft, and a Permanent Disarmament Commission was to be established to supervise proceedings. The exact functions of this body were limited in the original draft to conducting investigations on the request of any signatory state. It was subsequently amended in deference to French opinion to allow for automatic and periodic investigations in all countries.

The British proposals were received with general approval and were adopted on March 27th as a basis of discussion and on June 8th as the basis for a future Convention. The Germans showed signs of recalcitrance on the question of short service national armies, but world opinion, which viewed with grave disapproval the violence of the Nazi régime on the home front, was against them. Germany received a further rebuff in President Roosevelt's message to the heads of states on May 16th. This message denounced all attempts at rearmament, strongly recommended a time limit for considering reductions, and proposed a non-aggression pact and a general undertaking to call a halt in armament production pending reduction

to the prescribed levels. Hitler replied with a conciliatory speech on May 17th and his representative was instructed to accept the British Draft as the basis of the treaty.

The proposals received a first reading on June 8th, four days before the meeting of the World Economic Conference, and on June 29th the Conference, already rather overshadowed by the pressure of economic issues, adjourned.

During the weeks that ensued the indefatigable Mr. Henderson made a tour of the capitals of Europe in an attempt to smooth out outstanding difficulties, such as the French reluctance to accept the German description of the *raison d'être* of the Storm Troops as "Defence Sport." These conversations were resumed at the twenty-second Assembly of the League at which the German representative arrived attended by a detachment of uniformed "sportsmen."

On October 9th the Disarmament wrangle entered upon a fourth and highly controversial phase. Exactly what occurred during the week which elapsed between the first meeting of the Bureau on the 9th, and its reassembling on the 14th, was, at the time of writing, still wrapped in some mystery. The facts as known to the public were that on the 14th the British representative made a speech announcing certain modifications in the previous plan, the most important of which was the introduction of a probationary period of four years before the process of reduction should begin, during which period the machinery for inspection should be given a trial run. In the meantime Germany was forbidden to rearm, and the other Powers undertook not to produce any more of the prohibited weapons.

As soon as this speech had been made Germany withdrew from the Conference for the second time, and on the 19th announced her withdrawal from the League. The new proposals were regarded by Germany not only as a breach of the Agreement of December 1932, which had given her equality of status, but as an indication that the armed Powers had no real intention of immediate disarmament. Whether any previous agreement had been reached on the subject of German rearmament, or whether such agreement had

been limited to the permission to construct prototypes or samples of the weapons permitted by the other Powers, was not clear. After a period of unilluminating and most unedifying wordy warfare conducted on platforms, in correspondence and on the wireless, in the course of which Baron Neurath accused Sir John Simon of a deliberate mis-statement of fact, the meeting of the Bureau was eventually adjourned until January 1934, and meanwhile it was decided that further progress towards disarmament "would at this stage be best assisted by . . . the full use of diplomatic machinery."

The period between December 1933 and May 29th, 1934, when the Disarmament Conference reassembled after several postponements, witnessed an interchange of visits between the representatives of the Great Powers punctuated by a series of "notes" and memoranda on the subject of Disarmament. As the weeks passed it became increasingly clear that the task of reconciling the French demand for effective guarantees of security with the German insistence on equality of status—was wellnigh hopeless. In brief outline the course of events was as follows:

In December and early January Sir John Simon visited Paris and Rome with a view to obtaining first-hand impressions of the state of French and Italian opinion. At the end of January 1934, the British Government issued a Memorandum embodying what it hoped would be a compromise between these conflicting points of view. The British Note contained five important points:

- (a) Partial rearmament for Germany;
- (b) Partial disarmament for the Armed Powers;
- (c) A system of control (if all other points were accepted);
- (d) A system of consultation and discussion in the event of breaches of the Convention; and
- (e) The return of Germany to the League of Nations.

The issue of this Memorandum was followed up by the despatch of Mr. Eden, Lord Privy Seal, on a series of visits to the capitals of Europe to find out how far it satisfied the aspirations of each country. These visits were a personal

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triumph for Mr. Eden, but otherwise had little result. In March, America made a further attempt to secure adherence to a non-aggression pact, and Italy issued proposals of her own. On the 19th the French issued an uncompromising reply to the British proposals and demanded some more effective guarantee of security than mere adherence to a convention. They argued that if the military clauses of the Treaty of Versailles were to be allowed to become a dead letter, what was there to prevent the same fate overtaking the clauses of a disarmament convention? In April Germany threw fuel on the flames in the shape of an increase of 33 per cent. in her military estimates. The Bureau of the Conference met on April 10th in most unpropitious circumstances. In the same month came the visit of Signor Suvich, the Italian representative, to London; and a proposal by the six neutral countries, Spain, Switzerland, Sweden, the Netherlands, Denmark and Norway, promising adherence to a security guarantee in return for a measure of disarmament.

On May 29th the Disarmament Conference opened in an international atmosphere not improved by a speech made at Rome by Signor Mussolini in which he extolled the bracing effect of war on the national character!

Mr. Eden, in a broadcast after the Conference, said that the British Memorandum of January 29th went too far for the French and not far enough for the Germans. After a week of stormy debate, in which M. Barthou in an impassioned speech once again stated the French case for security first, and Sir John Simon maintained that no real progress could be made in the absence of Germany, a compromise was eventually reached. It was decided on June 8th that efforts must be made to persuade Germany to rejoin the League; that the Conference should be adjourned until the return of Germany; and that in the meantime Committees should be appointed to consider proposals for pacts of security and non-aggression, the problem of guaranteeing the execution of a Disarmament Treaty, and the Air Menace and the Traffic in Arms. On November 20th the Disarmament Conference in its original

form went into liquidation, as a result of a letter from Mr. Henderson in which he referred to the diminishing hopes of a Disarmament Convention and advised the delegates to concentrate on the more modest aims suggested in the resolution of June 8th.

At the end of 1934 it was idle to pretend that the Great Conference which had begun nearly three years previously had done more than demonstrate the difficulties of its task. Technically—like the World Economic Conference—it was still in being, and attempts were being made to salve something, such as the international control of the traffic in munitions, from the wreckage of what might be described as its first incarnation.

We said of the World Economic Conference that it was either two years too late or five years too soon. The Disarmament Conference's first appearance on the world stage was probably about seven years too late. If it could have been held in 1925-26 at a time when Stresemann and Briand were in control, when economic recovery after the War seemed well established, when the spirit of Locarno was strong, when Germany was entering the League, it might have produced substantial results which in turn might have led to a degree of international co-operation in the economic sphere. Had such co-operation taken place, the slump might have been less severe. But these speculations are probably too optimistic. The probabilities are that in the absence of that moral disarmament which is the essential prerequisite of any real progress towards the abolition of war as an instrument of policy, any world disarmament conference during the post-War period was doomed to failure. By one of the ironies of history the only effective disarmament conference since the War, the World Conference on German Disarmament held at Versailles in 1919, proved to be the primary cause of the failure of the World Conference on World Disarmament of 1932-34.

Until the spirit which inevitably inspired the victorious treaty-makers at Versailles could be exorcized by education and tempered by time, so that the whole question of organizing peace could be divorced from the atmosphere

of 1914-18, there could be little hope of satisfactory results. Nor was this the only prerequisite for success. It cannot be too often repeated that peace as well as war demands sacrifice. The sacrifice for which the altar of peace is waiting is that of national sovereignty. Unless and until the nations submit their "sovereign rights" to the bridle of authority and to the curb of international sanctions, peace will be insecure.

In February 1935, after the Saar plebiscite had enabled the Council of the League to decree the return of that territory to Germany, the British and French Governments determined to make a fresh attempt to effect a general settlement in Europe. French ministers visited London, and after a series of discussions it was announced that the two Governments were in agreement on a plan which in summary was as follows :

- (1) That a general agreement should be freely negotiated between Germany and the other Powers in conformity with the Declaration of December 11th, 1932, regarding equality of rights in a system of security. It was suggested that in return for an agreement on armaments superseding the Disarmament clauses of the Treaty of Versailles, Germany should accede to the proposed regional pacts in Eastern¹ and Central Europe,² and should resume active membership of the League of Nations.
- (2) That an air pact should be negotiated between the Western European Powers whereby the signatories should be bound to send their air forces to the immediate assistance of "whichever of them might be the victim of aerial aggression by one of the contracting parties."

This plan—which it was felt in Paris and London went far if not all the way towards meeting German demands—was put forward as an offer, and the German reply was anxiously awaited. The answer from Berlin, which was

¹ The Eastern Locarno.

² Guaranteeing to respect Austrian independence.

received after an interval of a fortnight, caused some disappointment in France and Great Britain. The Germans agreed to begin diplomatic discussions and expressed their approval of the Air Pact—which would necessarily give legal recognition to that rebirth of the German air force which had already taken place; but the German Note was noticeably vague on those points in the proposal summarized in paragraph (I) above. Here we must end our account of the attempts made during *Our Own Times* to organize peace on the grand scale and turn to less ambitious efforts directed towards solving the problem of security. These attempts acquired importance as the Disarmament Conference disappeared into eclipse.

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The prolonged attempts at Geneva to afford security by means of general disarmament had failed for the time being, but the demands for security remained, and just as during and after the failure of the World Economic Conference the nations were seeking alternative methods of grappling with their economic ills, so as the Disarmament Conference became more and more bogged in its fundamental inconsistencies, the European nations began to turn to the regional method of obtaining security.

It is one of the inconveniences to which historians must submit that events march forward on many legs, some long, some short, and none in step. Whilst the Disarmament Conference was sinking into decline at Geneva, the disturbed state of the world in the Far East and in Central Europe had set in motion other schemes for insurance against war. Their authors were careful to explain that the purpose of these plans was to isolate danger spots, but to do so within the general framework of the League. Nevertheless public opinion in Great Britain (and the U.S.A. in so far as its preoccupation with the New Deal allowed it to be interested in foreign affairs) suspected these regional proposals of being covert attempts to contract out of the

League system and start the revival of something closely resembling the Balance of Power.

On February 16th, 1933, the three Powers of the Little Entente¹ (Czechoslovakia, Yugoslavia and Rumania) signed a "Pact of Organization" designed "to completely unify their general policy" and to set up an "organ by which this common policy should be directed." In accordance with the decision a Permanent Council of Foreign Ministers was established. At the same time the four treaties which form the foundation of the Little Entente were renewed "in perpetuity."

The hopes that Hungary might consider joining the Little Entente were not fulfilled. The Hungarians at the end of *Our Own Times* appeared to be as determined to secure revision of the terms of the Treaty of Trianon as the Little Entente Powers were set in their decision to make no sacrifices of the gains they had secured from the Great War at Hungary's expense.²

Up to the end of 1934, when, as we shall see, their confidence received a rude jolt, the Hungarians pinned their faith to Italy—the "Allied" Great Power which had been least satisfied at Versailles, which was believed to be un-deviatingly hostile to France, and which was governed by a man supposed to be determined to take all possible steps to increase his country's influence in the councils of the world.

In the spring of 1933 Mussolini, who was said to be increasingly exasperated by the restraints imposed by the League system on Italian ambitions, put forward proposals for a Four-Power Pact which should embrace Great Britain, France, Italy and Germany.

The underlying idea of the proposal was that this pact should emphasize the importance of the four Great Powers and virtually establish a kind of dictatorship in Europe.³

Mussolini hoped by this means to place Italy in the ranks of the Great Powers, to improve the prospects of Treaty

¹ See Vol. I, Chapter IX, p. 194.

² Like so many "appearances" at the end of *Our Own Times*, the Hungarian-Little Entente deadlock on the matter of Treaty Revision may prove to have been deceptive.

³ Cf. the Concert of Europe established after the Napoleonic Wars.

Revision, and to facilitate the rearmament of Germany to a level of equality with the ex-Allies, objectives which were then as near to the heart of Italy as they were abhorrent to that of France.

A further, but by no means negligible, advantage of the plan from the Fascist standpoint was that such a consortium of Powers, once firmly established, would clearly steal most of the thunder from the Council and the Assembly of the League, and so relegate the Lesser Powers to that inferior place to which by Fascist doctrine they belonged.¹

In March 1933 Signor Mussolini invited Mr. Ramsay MacDonald and Sir John Simon, the Prime Minister and Foreign Secretary of Great Britain, who were then *en route* for Geneva in order to make an attempt to breathe fresh life into the Disarmament Conference, to come to Rome and discuss his proposed pact. They accepted the invitation, with the result that the pact began to acquire a vagueness which, by the time it had been further amended by the French, left the document but a shadow of its former self. In particular the Pact, as signed on June 7th, contained no hint of a dictatorship of the four Great Powers, and significantly omitted to give the business of Treaty Revision a place on the agenda. This diplomatic checkmate to two of the most cherished of Italy's ambitions proved but a Parthian victory. True, the friends of the League system had foiled Mussolini's attempt to short-circuit Geneva, but only at the cost of a tacit admission of the impracticability of solving the outstanding problems of Europe through the League machinery. The Unholy Alliance was politely declined: the problems of German rearmament and Treaty Revision remained.

At the beginning of the New Year (1935) a surprising, and it was hoped propitious, development took place in the policy of Italy. Alienated by the violent proceedings

¹ "Fascism stood for a social hierarchy which was frankly based in part upon force; and if the principle that 'might is right' was valid for individuals and for parties, it must also hold good for states. The seventeenth-century doctrine of the equality of sovereign states was as alien from the Fascist political philosophy as the eighteenth-century doctrine of the Rights of Man."—*Survey of International Affairs*, 1933, p. 207. A. J. Toynbee.

of the Nazi half-brothers of Fascism in the "clean up" of June 1934, and further antagonized by the part played by Nazi Germany in those events which led to the murder of Dr. Dollfuss (on July 25th, 1934), Mussolini, on January 7th, 1935, signed a Pact with France by which both Powers guaranteed the independence of Austria. It was hoped that by a series of secondary agreements to secure also the adherence of the Little Entente Powers and of Germany to an arrangement which held out some prospect of easing the problems of Central Europe. The impression caused by this very rapid improvement in Franco-Italian relations was soon overshadowed by the more important and spacious Anglo-French plan already described. So far as that scheme was concerned, Italy promptly gave it her blessing.

(a) *German-Polish Relations*

One of the most curious results of the rise of the Nazi régime in Germany was a complete change in the relations between Poland and the Third Reich. The explanation of this phenomenon is to be found in the fact that post-War Poland was in a territorial sense the offspring of a defeated Germany and a disrupted Russia. During the first ten years of the post-War period the Poles succeeded with the help of the Allies in repelling that Russian invasion of Poland which the Bolsheviks in the early days of their régime regarded as the first campaign in the Communistic crusade into Western Europe.¹ As we have seen,² the Bolsheviks soon abandoned their attempts to spread Communism in this manner, and, having beaten off the counter-attacks of Capitalism at Archangel, in the South and at Vladivostok, Soviet Russia settled down to her great internal experiment. For the time being Russia ceased to be a menace to Poland, for it became clear that pending the development of the first and second Five-Year Plans the Bolsheviks had decided that their internal problems were

¹ See Vol. I, Chapter IX, p. 203. Peace Treaty of March 18th, 1921.

² Vol. I, Chapter VI, 158.

of sufficient magnitude to demand all their energies. With Germany the case was different. The "Polish Corridor" was iron in every German soul, and it was ominous from the Polish point of view that at Locarno,¹ at the time when Germany entered the League, though she abandoned in the most specific manner all intention of regaining the territories she had lost to France in the West, there was no such undertaking as regards her losses to Poland in the East. Up to the time of the rise of the Nazi Party, Germany, by carrying out the "policy of fulfilment" under the leadership first of Stresemann and later of Brüning, was slowly regaining her international status as a Great Power. The more "respectable" Germany became, the more likely it was that Poland might be forced to do something to meet German grievances concerning the Corridor. But when, as a result of the slowness with which Germany progressed towards equality of status with France and Great Britain, the Nazis persuaded the German people that better results could be obtained by pursuing a policy of non-co-operation, of leaving the League, of frightening rather than conciliating France, then the situation changed as between Germany and Poland. The former was now looking round for friends, whilst the latter was viewing with alarm the diplomatic triumphs of M. Litvinoff of Russia in the corridors of the World Economic Conference² and other evidences that if Germany had disappeared from the "best" international society, Russia was about to take the vacant place.³ In these circumstances both Poland and Germany were moved to come together, and a series of visits between representatives of each country culminated in a Pact which was signed on January 26th, 1934. This agreement, which was to last for ten years, was an application of the principles of the Kellogg Pact to German-Polish relations. The two Powers agreed that "all questions affecting the two countries should be dealt with by way of direct negotiations," and further, that, "in

¹ See Vol. I, Chapter XIII, p. 277.

² See Chapter XII, p. 273.

³ Russia joined the League and was given a seat on the Council on September 18th, 1934.

the interests of peace in Europe, both should renounce the use of force in their mutual relations." In Poland this was taken to mean that for ten years at any rate Germany would cease to take active measures to enforce her claim to revision of her eastern frontiers. The conclusion of this agreement illustrated the point made by Professor Toynbee in his 1933 *Survey* when he wrote¹: "Poland could afford to be on good terms with either Germany or Russia in the measure in which either of these *ci-devant* Great Powers was remote from the possibility of recovering its historic birthright."

(b) *The Eastern Locarno*

During the negotiations which led up to the Locarno Treaties of 1925, attempts were made to induce Great Britain to join France as a guarantor of an Eastern Pact to include Germany, Poland, and Czechoslovakia. The attempt failed, notably because Great Britain was not at that time prepared for an extension of commitments which both the Dominions and a section of opinion at home considered to be already too large, but also because Germany at that time was unwilling to accept the peace settlements on her Eastern frontiers.

The rise of the Nazi régime in Germany caused a *rapprochement* between Russia and France, later expressed in the Franco-Soviet non-aggression treaty of 1932. The failure of the Disarmament Conference in 1933, following upon the pronouncement made at the World Economic Conference by the German representative on his Government's expansionist ideas in Eastern Europe, served to draw France and Russia still further together in an attempt to find some alternative basis for a policy of security.

In February 1934, M. Barthou became Foreign Minister of France and almost immediately began a series of visits to the capitals of Central Europe with the idea of promoting a regional security pact for Eastern Europe on Locarno principles. This "very ambitious and elaborate scheme," as it was termed by Sir John Simon when it was submitted

¹ *Survey of International Affairs, 1933*, p. 186. A. J. Toynbee.

to the British Government in July 1934, involved two pacts: an Eastern Pact of mutual guarantee to which the U.S.S.R., the Baltic States, Czechoslovakia, Poland and Germany were to be parties; and secondly, an arrangement whereby the U.S.S.R. would offer guarantees to France on the one hand and Germany on the other "in event of conditions arising which bring the provisions of the Locarno Treaty into operation." This linking of Russia as a whole-time guarantor to the Locarno Treaty involved the approval of Great Britain and Italy.

Great Britain welcomed the proposal partly on the ground that it necessarily involved the admission of the U.S.S.R. to the League, and partly because the British Government considered that Germany's participation in such reciprocal guarantees would pave the way for further disarmament negotiations on the lines of the Five Power formula of December 11th, 1932, which recognized Germany's equality of status. But at the same time Great Britain made it quite clear that she would only be a party to the arrangement if it involved no further extensions of her own commitments in Eastern Europe. Italy replied on the same lines, but with further emphasis on a Pact being a preliminary to the recognition of Germany's equality of status. The qualifications with regard to German equality of status put forward by Great Britain and Italy were not acceptable to France, who considered that the two questions were quite separate.

Poland was highly suspicious of any security pact emanating from Russia and wished for a more precise definition of what frontiers were to be guaranteed under the Pact. Germany was extremely reluctant to abandon her aspirations for a revision of frontiers in exchange for what she considered would be a very doubtful guarantee of her security.

At the beginning of 1935 the one concrete result of these negotiations had been the admission of Russia to the League—by way of a preliminary to the Pact. As we have noted, the proposal for an Eastern Locarno was part and parcel of the Anglo-French plan of February 1935.

(c) *The Balkan Pact*

Ever since the War there had been a growing desire amongst the Balkan States to form a *bloc* amongst themselves and thus escape from the domination of the Great Powers. The plans ranged from that of federation to that of a pact of non-aggression. Conferences were held in 1930, 1931 and 1932, which, apart from ascertaining the common ground for discussion, proved fruitless. The difficulty throughout has been that "Such is the complex nature of Balkan relations and of the various Balkan problems that it seems impossible for any two countries to conclude a separate treaty without making it appear to be directed against a third."¹ The main stumbling-block was always Bulgaria, who would not pledge herself to acquiesce in the frontier arrangements made under the Peace Settlement. Her relations with Yugoslavia were strained over the problem of the Macedonian minority in Yugoslavia, and those with Greece were embittered by her failure to acquire an outlet to the sea. In addition to the difficulties of the Balkan States *inter se*, the situation was further complicated by the conflicting policies of the Great Powers under whose ægis the various Balkan States were grouped. Albania, for example, lay under the shadow of Italy, and Rumania was linked to France and the Little Entente.

However, after a period of diplomatic exchanges of visits during the autumn of 1933, a Balkan Pact was eventually signed in February 1934 by Greece, Rumania, Turkey and Yugoslavia. The agreement contained in a preamble the statement that the contracting parties were firmly decided to maintain "the territorial order at present established in the Balkans," and in the main body of the Treaty the four states mutually guaranteed the security of their Balkan frontiers. They undertook further to take concerted action on all political matters affecting the Balkans. Finally, it was declared that the Pact would be open to any other

¹ *Bulletin of International News*, Vol. X, No. 16, quoting Mr. David Mitrany.

Balkan country which was willing to accept the conditions of membership.

Bulgaria and Albania, for reasons which will be obvious, refused to join, but hopes were entertained of Bulgarian accession in due time.

In November 1934 the Balkan Council proceeded to draw up schemes for closer organization and an economic council very much on the lines of those adopted by the Little Entente, on whose conception and organization the whole plan was closely modelled.

(d) *Russian Foreign Policy*

During the closing years of the period under review the international position of Russia underwent a striking and indeed dramatic change. We have described in Chapter VIII the course of events inside the U.S.S.R. from 1926-34; and although at the moment of writing there was considerable difference of opinion amongst Western observers as to the precise state of affairs in Russia, there can be no doubt that towards the end of *Our Own Times* the Russians took active steps to re-enter international society, and that Capitalist society extended a ready if not enthusiastic welcome to the *ci-devant* outcast. The reasons for these changes of attitude were as follows: On the side of Russia, the rise of the Nazi Party in Germany and the suppression of the German section of the Communist Party naturally caused the Russian Government to re-examine an attitude towards Germany which had been based on the Treaty of Rapallo of 1922,¹ a treaty concluded when both Russia and Germany were international outcasts.² At the same time the re-emergence in the Far East of Japanese Imperialism, which threatened Russian interests in that part of the world, caused the Soviet authorities to look round for friends amongst other states which were equally alarmed and antagonized by the Japanese policy.

¹ See Vol. I, Chapter V, p. 124.

² Also in the early days of the Nazi Government it was frequently stated by Nazi leaders that Germany's future lay in the East.

On the side of Capitalism the following considerations seemed weighty: The French, alarmed at the growth of the German "menace" and disturbed by the *rapprochement* between their ally Poland and Nazi Germany, looked back longingly to the pre-War Franco-Russian Alliance. The British and the French felt that the defection of Germany and Japan from the League would be to some extent redressed by the accession of Russia, and though Anglo-Russian relations were temporarily strained by the episode of a trial of British engineers, both countries were anxious to find a mutually satisfactory basis for trade since their products were largely complementary, and as we have already observed, this was a period when bilateral trade agreements were in fashion.

The practical manifestations of these changes of policy took the form of a series of pacts of non-aggression and neutrality negotiated by M. Litvinoff in London during the World Economic Conference between Soviet Russia and Afghanistan, Esthonia, Latvia, Persia, Poland, Rumania, Turkey, and subsequently Lithuania and Finland. It was an essential feature of these pacts that they included a rigid definition of what constitutes an aggressor.

The climax of Russia's "come-back" into the Great Society was achieved when she took her seat at the Council of the League on September 18th, 1934, having been duly elected to membership by 39 votes to 3. The whole affair was a European triumph for Russia exceeding that which she had enjoyed when the Roosevelt régime in the U.S.A., as one of its experiments in economic recovery, extended recognition to Soviet Russia on November 16th, 1933.

Thus, within fifteen years of the time when Allied armies, fresh from conquering Germany, were invading Russia in order to overthrow the Communists, Soviet plenipotentiaries were being welcomed in Paris and London as valued recruits to the forces of international law and order. It is a thousand pities we have been denied the entertainment of hearing Lenin's dry comment on this occasion, but one may surmise, without doing injustice to his memory, that he would have approved any policy which seemed to give

Russia security and time in which to prove to the world that the Socialist state is the best instrument for producing and distributing the material means of existence as a means to a complete life.

(e) *Austria* (1931-34)

Attention has already been drawn to the extremely difficult economic problems which confronted Austria as a result of the Treaty of St. Germain, and we have indicated how, when the victorious Powers had abandoned hopes of clearing up the chaos in Austrian finance, they threw the intractable problem to the League. This gesture was in fact nothing more than a kind of conjuring trick, for "The League" was (and is) simply an association of sovereign states, and during the first five years after the War it was essentially an association of the victorious states. However, the trick worked, for what had seemed impossible became a practical achievement of considerable merit once the cloak of Geneva was thrown about the proceedings. Acting through the League the Allied Powers managed to bolster up the economic situation in Austria.¹ Nevertheless, the fundamental difficulties were still there, and in the early months of 1931 conversations were initiated between Germany and Austria with a view to exploring the possibilities of a Customs Union between the two countries. It may be as well to point out at this stage that such an arrangement still is (1935) one of the obvious solutions for Austria's economic problem. It will be remembered that in the Peace Treaties it was particularly emphasized that any form of political union ("Anschluss") between Germany and Austria was forbidden, and this "allied" policy of preventing Germany from compensating herself in the south for the losses in territory and man-power that she had suffered elsewhere was reinforced in the Protocol for Austrian Reconstruction of 1922, where it was laid down that Austria was not to grant to any state advantages calculated "to violate her economic independence."

¹ See Vol. I, Chapter IX, p. 191.

When, on March 23rd, 1931, it was announced that a Customs Union had been formed between Austria and Germany, protests were at once raised by Italy, and also by France and her Little Entente friends. Great Britain sat on the fence. The protests were sufficiently weighty to oblige the Austrians to agree that the question should be submitted to the Council of the League, and the latter referred the issue to the Permanent Court of International Justice at The Hague, with a request that this body should advise on the legality of the proposed Union. The Court gave its decision on September 5th, when by eight votes to seven it declared that the Union would be illegal. The fact that the nationalities of the judges voting "for" and those voting "against" the Union coincided precisely with the voting which would have been expected if the Court had been composed of Foreign Ministers instead of eminent legal authorities, did much to lower the prestige of the Court. The decision of the Court was of academic interest because two days earlier the Austrian Chancellor, Dr. Schober, had announced that the Union had been abandoned. The explanation of this surrender to the French demands is to be found in the fact that between March and September 1931, the Credit-Anstalt collapse took place in Austria,¹ and by September Austria was on her knees to Paris and London for credits. London was helpless, and Austria had to comply with French political demands.

It is a remarkable instance of the rapidity with which a given political situation will change, that whereas from 1919-32 Austria showed a readiness for some form of union with Germany, yet in 1933 and 1934 the Austrian Government was engaged in a desperate struggle to avoid such a union, a struggle which cost Austria the life of her Chancellor, involved her in civil war, and caused her to turn for assistance to Great Britain, France and Italy. In pre-War days the community of language, culture and Catholic religion between the Austrians and the Southern Germans had been counterbalanced by long-standing Austrian hostility towards the Prussianized German

¹ See Vol. I, Chapter XIX, p. 402.

Empire, that First Reich which had been built up by Bismarck and the Hohenzollerns upon the destruction of the Hapsburg ascendancy at the battle of Sadowa in 1866. But after the War two new circumstances demanded consideration. In the first place the Weimar Republic (the Second Reich) was supposed to have released Germany from the domination of the Junkers and the jack-boots of the Prussian. Secondly, whereas before the War Austria was the centre of a great Empire, she was now a small, economically ill-balanced country trying to support Vienna, and cut off both by tariffs and political difficulties from her natural markets. As the long-drawn-out economic miseries of the post-War years ate into the hearts of Austrians, it seemed to an increasing number of these people that the only alternative to being for ever a convalescent dependent on foreign aid was Union with the 70 million Germans to the North, and as we have pointed out, a Union with Republican Germany was quite a different proposition from a Union with that Prussianized Germany which had apparently been destroyed in 1919. But when the Nazis rose to power in Germany the whole situation was once more changed, since in the twinkling of an eye Germany had fallen completely into the jaws of a revived and extreme form of Prussianism. With the disappearance of every vestige of autonomy from the Catholic states south of the Main, it became clear that "Anschluss" would mean the degradation of the historic capital of the Holy Roman Empire, the most cultivated city of the world, to the status of a provincial German town. Moreover, the most extraordinary aspect of the whole business was that Hitler, the leader who had destroyed Republican Germany and created the Third Reich on a basis of pagan militarism, was an Austrian and a Catholic.

The Austrians accordingly determined to resist to the uttermost the Nazi assault upon their independence. It is impossible in a study on the present scale even to summarize the complicated course of internal politics in Austria during the years 1931-34. It must suffice to say that in June 1933 the Austrian Chancellor, Dr. Dollfuss,

had managed to assume the position of a dictator, and that the Parliamentary system had been suspended as the climax of a long struggle in Austria between the Socialists and various Conservative-Fascist groups in the country.

During 1933 Dollfuss was engaged in one direction in combating the attempts of the German Nazis to secure control over Austria by the methods of aiding and abetting the activities of an Austrian Nazi Party,¹ and of keeping up a ceaseless propaganda, chiefly by broadcasting, against the Dollfuss Government. In another direction Dollfuss had to deal with the intrigues of the Austrian Heimwehr, a Fascist organization led by Prince Starhemberg, and in relations with Fascist Italy, whose purpose was the elimination of Socialism in Austria. During 1933 the courage and ingenuity displayed by Dr. Dollfuss in maintaining Austrian independence against the pressure of the Fascists from within and the Nazis from without aroused much sympathy for him in Great Britain, France and Italy. The Italian interest in his success arose from the fact that Mussolini had no desire to see the German frontier on the Brenner Pass, and hoped that the course of events would force Austria to jump out of the Nazi frying-pan into the Fascist fire. The sympathy enjoyed by Dr. Dollfuss was tempered—certainly in Great Britain—by news received on February 12th, 1934, that at the behest of his Heimwehr supporters he had suppressed the Austrian Socialist Party.

The Austrian Socialists had for long been in the cruel dilemma that if their country fell into the jaws of Nazi Germany their doom was certain, whereas the only apparent alternative, surrender to the Austrian Fascists, would involve them in an equally certain and unpleasant fate. For many months the Socialists endeavoured to compromise, but early in 1934 it was clear that they must either fight Dollfuss and his Heimwehr supporters or disappear. They elected to fight, and were ruthlessly suppressed with a loss of hundreds of lives.

¹ The connection between the German Nazi headquarters and the Austrian Nazis may be likened to that between the Third International at Moscow and Communist parties in other countries.

It was clear to liberal-minded people in Great Britain that Dollfuss had nothing to learn from Hitler when it came to the violent suppression of his political opponents. Within a few months of this event Dollfuss lay dead, murdered in his Chancellery at Vienna by Nazi conspirators, as part of a plot by the Austrian Nazis to seize the government of the country. The plot failed and the German Government hastened to disavow any connection with the episode. Morally its responsibility was obvious, and there was plenty of evidence to show that if the coup had succeeded a very few days would probably have seen a Union between the Nazis in both countries. Such an event might well have led to a European war, since Italy moved troops to the frontier and Mussolini announced that Austrian independence would be defended at all costs.

The indignation aroused by the assassination, and the failure of the coup, were severe blows to the German Government's plans for adding Austria to the Third Reich, and at the end of *Our Own Times* this aspect of Nazi policy had—at any rate temporarily—disappeared from public view. Austria remained ostensibly independent, though actually she was a hopelessly weak pawn on the chess-board of European politics. At one time during 1934 it seemed as if Italy aimed at bringing together Austria and Hungary into a Fascist group. This was opposed by France and the Little Entente; and the compromise in which conflicting policies, including the several desires of the various groups in Austria, found an uneasy meeting-place, was the maintenance of Austrian independence. We have already described the remarkable change which took place in January 1935, when France and Italy signed a Pact which bound them to act together to maintain the independence of Austria. This marriage of convenience for the purposes of adopting the orphan child Austria was registered with almost indecent haste, and in view of the antipathies which had existed between France and Italy since at least 1881, one was left wondering whether indeed the age of miracles was still in being.

In 1935 it was difficult to see how Austrian political

independence could ever be harmonized with economic dependence. Either she must amalgamate in some form or other with Germany, or else she must form part of a group of Danube valley states. The possibility of these solutions depended upon the future course of events in Germany; the degree of reality behind the Franco-Italian Pact; the progress of the world-wide tendency towards freer trade, which seemed to be peeping through the tariff barriers at the end of 1934; and any successes which might be registered in the direction of organizing peace through a system of collective security as a result of the Anglo-French plan of February 1935.

4. *The Saar Question*

The coal-mines in the Saar were given to France as compensation for the destruction wrought by the German invasion of Northern France.

One of the sections of the Treaty of Versailles provided that for a period of fifteen years the Saar territory should be administered by a League Commission, at the end of which time a plebiscite was to be held inviting the Saarlanders to choose one of three sovereignties: Incorporation with France; remaining under the League; or Union with Germany.

As the time of the plebiscite drew near two sets of problems aroused international concern. Firstly, various technical questions which would arise if, as was expected, the Saarlanders voted for a return to Germany. Secondly, the arrangements for the proper carrying out of the plebiscite.

From the time of the advent to power of the Nazis in Germany, a raging propaganda had been carried out by Germany both within and without the Saar for the return of this territory to the Reich; and as many of the Socialist refugees from the Nazi persecution had fled to the Saar, and the French were determined to assert their Treaty rights to the utmost, there were many possibilities of trouble in 1935.

The League system scored a triumph when on December 3rd, 1934, a League Committee sitting in Rome produced an agreement satisfactory both to France and Germany,

on the subject of the ownership of the mines¹ and the non-victimization of the anti-Nazi inhabitants, in the event of the territory returning to Germany.

There remained the question of keeping order during the plebiscite. On December 5th, 1934, the British Government suggested at Geneva that both France and Germany should be excluded from this task and that it should be undertaken by an international force, amongst which British troops would be included. This solution met with general approval, and another success was registered for the League system. A few days before Christmas 1934, British troops were once more landing at Calais on their way to the Saar, where they were to collaborate with contingents from Italy, Holland and Sweden in a small but important example of the practical possibility of enforcing international law by international force.

The Saar plebiscite was in reality a vote for or against the Nazi régime, for, up to the establishment of the Third Reich, there had never been any question as to the result of the voting. The peculiar interest of the plebiscite was that on January 13th, 1935, the Saar was the only "German" area in the world where Germans were still free to voice divergent political opinions and then express their views by secret ballot. The plebiscite was held on January 13th, 1935, and resulted in an overwhelming triumph for the Nazi cause and the return of the territory to Germany. The figures were as follows:

Of the 537,300 persons entitled to vote, 97.9 per cent. went to the poll. The result was:

For return to Germany . . .	. 477,119 (90.8 per cent.)
For the <i>status quo</i> (League régime) . .	. 46,513 (8.87 per cent.)
For union with France . . .	. 2,124 (0.4 per cent.)

On hearing this news Herr Hitler said:

"Fifteen years of injustice are coming to an end. The injustice done to the Saar has been an injustice done to Germany. A treaty has been rectified which promised peace but which brought in its wake endless bitterness

¹ In the event of the territory going to Germany, the French were to sell the mines for about £12 million.

and oppression. With the return of the Saar there are no more territorial claims by Germany against France, and I declare that no more such claims will be raised by us. We are now certain that the time has come for appeasement and reconciliation. I want to add the expression of my gratitude and satisfaction for the loyal help which other countries have given to France and ourselves through these difficult days by guaranteeing orderly procedure during the plebiscite. We want to assure the world of our deep desire to preserve the peace, just as we are determined to win back our equality of rights to the fullest measure, just as we are determined afterwards to co-operate fully in the creation and preservation of that international solidarity which is essential for the welfare of the peoples of the world."

The League Council on January 17th decided that the Saar should be reunited with Germany as from March 1st, 1935.

5. Conclusions

At the beginning of 1935 the immediate prospects for the organization of peace were plunged in gloom.¹ It could be argued that at no time since July 1914 had war seemed more inevitable than it did in 1935, even though the possibilities of an early war were exceedingly remote. After twenty-one years of war and uneasy peace it looked as if the sovereign states were once more treading that fatal path at whose entrance we met them when we began this study.

At the beginning of 1935 the expenditure of the principal sovereign states on armaments was increasing; an ominous reflection of the growing fear of all peoples. In the Far East, in Central Europe, and in Franco-German relations there were three situations which had within them possibilities menacing to international peace.² It was not difficult to account for a fatalistic attitude towards war, a pessimism born of disappointment with the apparently fruitless effort to organize peace.

¹ It was still too early to build more than hopes on the Anglo-French plan of February 1935.

² There was also tension between Italy and Abyssinia.

Yet when all this and more had been said there were gleams of hope on the stormy horizon. The brightness of peace was in existence somewhere in the firmament if only the world of men's polity could revolve on its axis sufficiently to bring the miracle of the sunrise into view.

If this world turned one way, the light on the horizon of the future would fade into the twilight of the gods, giving way in due course to the darkness of Hell; if it turned the other way the pale lume would be revealed as a dawn heralding the brightness of Heaven. Which way would it revolve? That question can only be answered by speculations necessarily in part the product of faith rather than of reason. Both faith and reason were lacking in 1935. But if one had faith in the ultimate inevitability of peace on earth as a part of the whole scheme of man's existence, then it was possible to buttress that faith with the following reflections. The problem of organizing peace was still "news" in the Press of the world and at its microphones. Germany was arming and so approaching that *de facto* equality of status the lack of which was paradoxically one of the chief obstacles to disarmament. Russia had joined the League. The French and British Governments had inaugurated yet another attempt to organize peace in Europe, and there were signs that Great Britain and the U.S.A. might be brought together in support of a system of collective security in the Pacific. The United States of America had made a violent lunge forward along the path of her national development, and though a reaction was certain, the net result was likely to be a more tightly organized American nation than had hitherto been the case. As America grew older and more mature it was reasonable to assume that she would play a greater part in international life, and be both more fitted and more willing to undertake her proper international responsibilities as one of the bulwarks of the system of collective security her great President Wilson had fought so hard to initiate. This League in 1935 still lived and displayed a vitality which delighted its friends and confounded its enemies. It lived because

it was essential; men dared not let it die; yet its life was a feeble thing since its sole nourishment was the will for peace displayed by its constituent members. A mirror can focus and reflect but it cannot create light. The immediate dangers of war at the end of *Our Own Times* were to some extent discounted by the deep scars left by the crisis upon the body economic of the world, and by the survival of millions of middle-aged and elderly people who had been through 1914-18. But it was neither the particular problems making for war nor the particular and transient circumstances making for peace which were the deciding factor. The Saar problem would disappear, and in time the War veterans would die. Such considerations were trifles in comparison with the real problem, the failure of the nations to face up to the issue of Life or Death. From a long-term point of view it was certain that if all the "critical" issues of 1935 were solved, new sources of friction between the sovereign states would arise; and the question which tormented thoughtful people at the close of *Our Own Times* was whether or not it would be possible to build up an effective system of collective security amongst the nations, on the basis of a genuine and widespread acceptance of the limitation of the sovereign independence of each to the incalculable benefit of all, before some clash of interests between two Great Powers precipitated another World War.

Since this chapter was written the international scene has darkened anew. At the end of March, 1935, an Italian-Abyssinian dispute seemed slowly but surely to be assuming serious proportions. More serious perhaps was the news that Herr Hitler, after announcing (March 1935) the re-introduction of conscription and the determination of Germany to organize an army of about half a million men, had been exceedingly uncompromising when he was visited by Sir John Simon, who had travelled to Berlin in order to ascertain the views of the German Government on the Anglo-French proposals. Nevertheless, the initiative lay with Germany, and unless the Third Reich could be persuaded to enter and support a general system of collective security the prospects of European peace were doubtful.

CHAPTER XIV

THE LEAGUE OF NATIONS ¹

"The tree is known by his fruit."—Luke xii. 33.

"Peace be within thy walls, and prosperity within thy palaces."—
Psalm cxxii.

"One generation passeth away, and another generation cometh."—
Ecclesiastes i. 4.

I

THIS chapter on the League of Nations has been placed near the end of this study of Our Own Times for two reasons. Firstly, because it was manifestly impracticable to refer to the League on every occasion when League action was involved, for since about 1925 the League has been in relation, either directly or indirectly, with the whole compass of world history. Secondly, because the League, with all its defects and shortcomings, remains outstandingly the most hopeful and important of the achievements of Our Own Times, and we wish this study of contemporary affairs to end on a note of hope.

It is essential that there should be a clear understanding as to the precise nature of the League of Nations, for it is remarkable how many otherwise well-informed persons do not appreciate that since the League is but an association of sovereign states, its powers, its achievements, its shortcomings are directly conditioned by the policies of its members. The League is a mirror in which may be seen reflected the face of the international society of states; it is merely an instrument, and it is from the manner and extent to which it has been used that one may draw conclusions as to the prevailing temper of the Great Society.

To write, or say, that "The League should have done

¹ For a full account of the League of Nations organization and the work done through and by the League, see the *League Year Book*, Jackson and King-Hall. Ivor Nicholson and Watson, Annual Editions, 1932-33-34.

The League of Nations

this or done that, should not have done that or this," is only permissible if what is meant by such an expression is that "The governments of the sovereign states of . . . (here follows the names of . . . states members) should have done. . . ." But if the expression is taken to mean that a kind of super and extra-national body should have done this or that, then it is nonsense. A whole can be no more and no less than the sum of its parts.

2

The conception of an association of states is ancient history, and, like everything else in this changing and evolving world, the League has roots far back in the past; but it needed the awful catastrophe of a World War to bring into being an organization which in many respects was an advance on anything previously attempted in the sphere of international life.

The first meeting of the Council of the League took place on January 16th, 1920, before it was known that the U.S.A. would not ratify the Treaty of Versailles and hence would not be an original member of the League. There were eighteen original members of the League. In January 1935 the Council held its 84th Session¹ and there were fifty-eight states members of the League. Of these fifty-eight, Soviet Russia was one of the latest to join, whilst Japan and Germany had given notice of their withdrawal. At the beginning of 1935 the U.S.A. was still a notable absentee from the list of League members; but she had joined the International Labour Organization, and American representatives had for many years regularly co-operated in League committees and conferences.

In 1920 the League was but a skeleton organization with no permanent home; at the beginning of 1935 a magnificent building was nearing completion at Geneva close to the imposing offices of the International Labour Organization, and hundreds of League officials administered the elaborate

¹ A very important session which, *inter alia*, had to deal with the results of the Saar plebiscite.

organization which is outlined in Appendix I to this volume. The first complete budget for the League balanced at 20 million gold francs¹; the budget for 1934 amounted to approximately 31 million gold francs (£1½ million gold pounds); of this annual total Great Britain paid about one-tenth, or approximately £140,000 (gold).

No one who has any first-hand knowledge of the amount of work of an indispensable nature which is done at Geneva in the course of a year can fail to be astonished at the modesty of the League's financial expenditure.

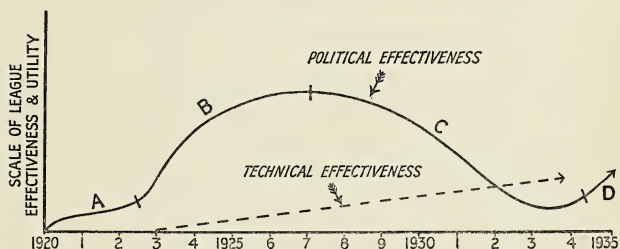
During the fourteen years of its existence, the League, whether in its capacity as a centre for the discussion of major international political and economic problems by the method of the annual and special meetings of the Assembly and the Council sessions, or as a conglomeration of international administrative and technical services, together with its associate bodies the Permanent Court of International Justice, and the International Labour Organization, has come to play a part in the world which is as indispensable to civilized life as is (say) that played by the International Postal Union. As Voltaire said of God, so in 1935 it could be said of the League: "If it did not exist, man would have to invent it."

Within the limits of space imposed by the scale of this study it is impossible even to attempt to do justice to the immense variety and volume of work which was carried out by the multifarious departments and committees of the League during the period 1920-34. In the *League Year Book* for 1934 a compressed summary of one year's work occupies 143 pages of print. But although it is impossible to give an account of the year-to-year work carried out by the League committees and its underpaid and devoted staff, it is feasible to look backwards from 1935 and make a kind of moving picture of the place of the League in the affairs of the world.

¹ 25 gold francs = £1 at old par of exchange.

The prestige of the League was high when the tide of international co-operation was running strong, and low when that tide was dammed up by the barriers of nationalism. In considering the ups and downs of the League, it is necessary to distinguish between its political activities and technical uses. We shall deal first with the political aspect of the League. An attempt has been made in Fig. 1 to draw a curve of League prestige on a time basis.

FIG. 1



CURVE ILLUSTRATING RISE AND FALL OF EFFECTIVENESS OF LEAGUE OF NATIONS AS AN INSTRUMENT OF INTERNATIONAL CO-OPERATION

It will be observed from this rough diagram that the thick line can be divided into four sections representing four periods of time: A slow rise from 1920 to about 1922-23; then a more rapid rise from 1922-23 to 1926-27; then a fall—shown as C—which began with a gentle gradient, becoming steeper until it reaches a maximum depression in 1932-33. Finally a rather sudden rise towards the end of 1934.

We will deal with each of these sections in turn. During the time covered by Section A, the League was more or less ignored. It was suffering from the shock of the defection of the U.S.A. and European politics were in effect controlled by a Committee of Allied and Victorious Powers. Although a number of international political questions were referred to the League during these early years, many of them were

only of local importance, concerned for the most part with the settlement of boundary questions arising out of the Peace Treaties. The most important of these disputes were: (1) The Aaland Island question, in which both Sweden and Finland claimed sovereignty over the islands. At that time neither Sweden nor Finland were members of the League. The dispute was settled on terms satisfactory to both parties, since Finland's sovereignty was recognized, subject to the demilitarization of the Archipelago and other safeguards of the rights of the Swedish population. Other questions of a similar nature were the Upper Silesian dispute, described in the first volume, the Memel question, and the determination of the Czechoslovakian and Danish frontiers.

Meanwhile the Allied Powers were becoming increasingly embarrassed by their failure to grapple with the financial chaos in Austria and Hungary, and in 1922 it was decided to do what should have been done at the outset, that is, to tackle the problem through the instrumentality of the League. The use of this method enabled a path to be found through the undergrowth of inter-Allied jealousies to the goal of "controlling" Austria's internal finances in a manner which would place her "sovereign rights" in a public and not a private pawnshop. The success, first of the Austrian scheme and next of the Hungarian scheme, did a great deal to draw attention to the latent possibilities of the League. It should be noted at this point for comparison with the state of affairs in 1934, that when in 1923 there was a sharp dispute between Italy and Greece, leading to the bombardment of Corfu (a Greek island) by the Italian fleet, the matter was only nominally handled at Geneva. In fact, Italy took up a strong position and virtually imposed her own terms on Greece through the Conference of Ambassadors.¹

The protests which were made by believers in the League that this was essentially a matter for international action at Geneva were not very effective.

Nevertheless, from about the period 1922-23 the League

¹ Cf. the Yugoslav-Hungarian dispute in 1934.

method of dealing with international disputes came more and more into favour. A serious disagreement between Turkey and Great Britain concerning the frontiers of the mandated territory of Iraq (the Mosul question) was settled through the medium of the League, and in October 1925 prompt action by the League Council served to avert a war between Greece and Bulgaria. A frontier incident had led to the occupation of Bulgarian territory by Greek troops. The Greeks had planned to launch an attack on the Bulgarians at 8.30 a.m. on October 24th, only two days after the incident. The Acting President of the League Council (M. Briand) telegraphed to the Greek and Bulgarian Governments on October 23rd, "exhorting them to give instructions 'that pending consideration of the dispute by the Council, not only no further military movements shall be undertaken, but the troops shall retire behind their respective frontiers.'"

The Greek Government's telegram suspending hostilities only reached the scene of action two hours before the offensive was due to be launched. Two days later the Council of the League met in extraordinary session and, not being satisfied that its request for the withdrawal of troops behind national frontiers had been granted, it passed a resolution which included the following observations:

"The Council is not satisfied that military operations have ceased. . . . It therefore requests the representatives of the two states to inform it within twenty-four hours that the Bulgarian and Greek Governments have given unconditional orders to their troops to withdraw behind their respective frontiers, and within sixty hours that all troops have been withdrawn. . . ."

The Council also requested France, Great Britain and Italy to send military officers to the frontier in order to see that its instructions were being carried out. The supervisory commission proceeded to the danger spot and reported on October 28th that the Council's orders had been obeyed.

This event was a striking example of the power of the League system to take preventive measures to control a situation likely to lead to war, and many comparisons

were made with what had occurred in 1925 and the not dissimilar situation which had arisen in 1914 between Austria and Serbia. On the other hand it was pointed out by sceptics that in 1925 the disputants had been two small Powers, and it yet remained to be seen whether one of the Great Powers would submit to League control. In 1925-26, as we have seen in the first volume, the political and economic situation in Europe was improving, and when Germany took her seat at the Council Table at Geneva in September 1926¹ after the signature of the Locarno Treaties, the League reached what was perhaps the high-water mark of the prestige, influence and international respect which it has attained during Our Own Times. But as we have previously noted, the political improvement noticeable both in Europe and elsewhere about the period 1925-26 was mirage-like. The hard realities of immense debt structures were being concealed by ill-conceived international lendings, whilst the political consequences of the War, chief of which was the inferiority complex of Germany, were not being smoothed down quickly enough.

We come then to Section C of our curve, and during the first part of this period we have to record the failure of the World Economic Conference of 1927 convened under League auspices. The curve moves onwards and downwards, as the attempts to prepare for the first World Disarmament Conference only served to reveal the formidable and apparently insuperable obstacles to progress.² The World Crisis gathered momentum, and when at long last the Disarmament Conference met at Geneva it did so under the shadow of the Japanese aggression upon China.³

The story of the attempts to grapple with the Sino-Japanese dispute through the medium of the League system has been told elsewhere in this volume; here it must suffice to say that the League, confronted at last with the long-dreaded test case of the aggressive Great Power, while it

¹ After an unfortunate delay due to the behaviour of Brazil. See *Survey of International Affairs*, 1926, p. 45 *et seq.*

² See Chapter XIII.

³ See Chapter XI.

failed to justify the hopes of its friends, did not altogether confirm the expectations of its detractors. When all was over *for the time being* and Japan had given the necessary two years' notice of her withdrawal from the League (as from March 27th, 1933), the fact remained that the machinery of the League system had succeeded in two out of three of its functions. It had judged the case and succeeded in getting its detectives admitted to the scene of the murder. The investigators (the Lytton Commission) had made a domiciliary search of the home of the alleged aggressor. The League in the light of the evidence before it, had pronounced judgment and sentence. By endorsing the recommendations of the Lytton Commission it had declared Japan to be guilty of breaking her Covenant. But it was at this point that the system of collective security broke down, for Japan guessed—and, as events turned out, guessed correctly—that the League system was not capable of applying those sanctions which should logically have followed on Japan's defiance of its verdict. Japan's successful defiance dealt a very severe blow to the international reputation of the League.

It was no doubt satisfactory, so far as it went, that in a case of this importance the Geneva policeman had managed to bring the suspect to trial and that the Council had pronounced sentence, but so long as the criminal was in undisputed possession of his ill-gotten gains it was hardly possible to expect a logically minded Frenchman (for example) to be prepared to abandon his national armaments and entrust the safety of his nation to such an imperfect system of collective security. The failure of the World Economic Conference, the collapsing Disarmament Conference and the resignation of Germany (October 19th, 1933) added to the despondency of those who believed that in the principles represented by the League lay the only hope of human salvation from the scourge of war. It is therefore in 1933 that we show our curve at the bottom of a psychological depression. In December 1933 Mussolini seemed to have judged the time ripe to make political capital out of giving this dying thing a contemptuous kick, for

the Fascist Grand Council suddenly announced that "Italy's continued membership of the League of Nations should be dependent on a radical reform of that institution in its constitution and objectives, to be effected in the shortest time possible." It was understood that the Italians envisaged, amongst other "reforms," measures which would result in a decrease of the influence of the small Powers and a corresponding exaltation of the Great Powers.¹

The only result of this Italian attempt to gain some prestige "on the cheap" was a blunt retort from the Dutch, who submitted a memorandum² in which the Netherlands Government expressed its willingness to examine the need of revising the Covenant³ in accordance with the procedure laid down in Article 26, provided that this "did not prejudice the legal equality which constitutes the basis of the present Covenant . . . it would be highly desirable that those who recommended the idea of revision should first submit, in a concrete form, the scheme of reforms they have in view."

Inspection of our tentative graph (Section D) will reveal that during 1934 the curve of League prestige rose sharply. In fact at the very moment when the detractors of the League, like the daughters of the Philistines, "rejoiced openly on the house-tops," the apparently decrepit organization suddenly showed signs of great vigour and utility, whilst its prestige was reinforced by the admission of Soviet Russia to the League with a seat on the Council.⁴ The adherence of the U.S.A. to the International Labour Organization, though less extensively advertised, may well prove to be of even greater significance as being the first stopping-place on the way from Washington to Geneva. Secondly, it was during 1934 that the Saar question began to achieve prominence in view of the fact that in January 1935 the plebiscite was to be held which would determine the fate of the territory. The extremely delicate and dangerous situation which arose therefrom between France

¹ Cf. the Four-Power Pact. See Chapter XIII, p. 295.

² Doc. C 58; 19, 1934, V (*O. J.*, 15th, 72, p. 288).

³ See Appendix I, Vol. I.

⁴ The reasons for this event are discussed in Chapter XIII, pp. 302 *et seq.*

and Nazi Germany was finally eased, to everyone's satisfaction, by the use of the League system.¹ Thirdly, there was the case of the dispute between Yugoslavia and Hungary arising from the assassination of King Alexander of Yugoslavia and M. Barthou, the French Foreign Minister, at Marseilles on October 9th, 1934. The Yugoslavs accused the Hungarian Government of having been culpably lax, to say the least of it, in its control over the terrorists in Hungary, by whom it was alleged the plot had been hatched—an allegation which the Hungarians indignantly denied.

There can be little doubt, in view of the violent passions aroused in both countries by the Yugoslavian attempt to lay the moral responsibility for the crime at the door of Hungary, that if this event had taken place in 1914 a Yugoslav ultimatum to Hungary would have been followed by armed invasion. As it was, the world held its breath with anxiety; the parallel with the Serajevo murders was ominous. But the existence of the League saved the situation, since Yugoslavia was obliged to carry her complaint to the Council.

At Geneva, although the settlement of the dispute was not made any easier by the action of Yugoslavia in expelling Hungarian refugees, and though the French and Italian representatives on the Council at once took up sides in a matter supposedly before them in their judicial capacities, the British representative firmly maintained the point of view that the business of the Council was to prevent the Yugoslav-Hungarian dispute from spreading, and that questions such as Treaty Revision were not on the Agenda. This British attitude calmed the storm and a resolution was adopted which, to judge by the comments in the Press of the two disputants, was hailed by each side as a complete vindication of its case.

So much for our sketch of the rise and fall of the political prestige and utility of the League during the period 1920-34. A rise and fall and revival which, as we remarked at the beginning of this chapter, is a moving reflection of the

¹ See Chapter XIII, pp. 309 *et seq.*

international sense of co-operation for the maintenance of peace, and inversely a projection of the shadow of war.

4

It will be observed that on our empirical curve of the ups and downs of League prestige we have drawn a dotted line which starts at about 1923 and which we have shown as rising slowly but steadily during the whole period under review. This line is intended to depict the progressive utility of the administrative functions and technical services of the League, using the terms "administrative" and "technical" in a wide sense to include the activities of the International Labour Organization; the Permanent Court of International Justice; the Institute of Intellectual Co-operation; the Mandates Commission; the Technical Committees of the League, especially the Economic and Financial Section; and the services of the League as a sovereign body administering the Free City of Danzig and the Saar territory.

The League services, which, taken in the aggregate, have been laying the foundations for that essential co-ordination of activities which in the fullness of time will be required by some form of world political organization, have been so multifarious and voluminous that it is out of the question to set forth even the headings of the work which has been done.¹ The reader must refer to the publications of the League and the shorter handbooks issued by the League of Nations Union. If an exception can be made to this rule of exclusion, the writer would like to draw special attention to the work of the Economic Intelligence Service. This branch of the League Secretariat has been growing immensely in importance and is gradually building up a much-needed world statistical service. It was significant that even during the darkest days of the depression, the world-wide circulation of the publications of this extremely

¹ The reader should consult League Document A. 51, 1934, XI, for an example of the work of a technical service of the League; in this case the control of the manufacture and sale of dangerous drugs.

The League of Nations

efficient department rose steadily. The importance of reliable and comprehensive economic and social statistics collected from every part of the world and analysed on a comparative basis at Geneva cannot be exaggerated in view of the universal tendency towards various forms of "planning."

5. Conclusion

An attempt to assess the position in world affairs of the League of Nations at the end of *Our Own Times* leads to the following conclusions: on the technical and administrative side it has made, and is making, steady progress, since, economic and political nationalism notwithstanding, the march of events and inventions is breaking down the barriers of time and space and drawing the peoples closer together in mind and body, if not in spirit. The wireless wave leaps the frontiers and carries its messages into a million homes, but whether that message be a Nazi broadcast attacking the Austrian Government, or a dance band interfering with reception in a neighbouring country, or a transatlantic debate, the significant fact is that the message has crossed the frontier and one more type of "national action" has acquired international significance.

It is reasonable to assume that whatever may be the developments on the political side of the League, the technical services will become increasingly important and indispensable.

At the risk of seeming to contradict something which was said earlier in this chapter when we drew attention to the fact that in law the League is nothing more than an association of sovereign states, we shall not be presenting a balanced picture if we omitted to point out that notwithstanding legal theory, "The League" as a body has begun to acquire "personality." In theory the Council is nothing more than a meeting of (say) foreign ministers; in fact it is the embryo of a world cabinet which already possesses a permanent secretariat.

It has sometimes seemed to the author of this book that if one could turn back the pages of history and find oneself

in 1920 with the advantage of a knowledge of events to come, then a good deal could have been said in favour of establishing the League as primarily an organ for technical and economic international co-operation rather than one for political co-operation.

In short, would it have been better to have created a League whose avowed object was to foster a sense of world unity from the economic point of view and so create conditions intellectual, social, financial, and commercial which would have inevitably but perhaps insensibly made political co-operation between sovereign states an obvious need? In such a League, as it developed, it would have been the Ministers of Education and Ministers of Trade rather than the Foreign Ministers who would have kept hat-pegs at Geneva.

These are speculations, and we must leave them in order to look at the world as it is. In 1935 it seemed justifiable to say that, taking an objective view of the matter, the League as a political machine had worked as well as could have been expected. For at the heart of the matter lay the question of national sovereignty. A perfectly working League system would be one in which the Covenant enjoyed the status of the constitutional law of international society, a law enforceable by irresistible sanctions. Such a League would be the instrument and expression of a system of collective security so certain, so swift, so just in its operations, that national armaments would only be retained as weapons to be used by the League in event of it having to deal with the aggressor and Covenant breaker. When such a system had demonstrated its effectiveness once, or perhaps twice, it would clearly be possible to reduce the size of the armed forces which it would require for use as sanctions until, eventually, the collective system would be able to rely on a small police force backed up by international economic action. To complain that in fourteen years the League of Nations has had but partial success is to be singularly blind to the antiquity and magnitude of the problem of Man and Himself.

PART III
CONCLUSIONS

CHAPTER XV

CONCLUSIONS

"Were we so fortunate as to be privileged never to act until the direction of action was entirely clear to us in all its bearings, no prudent man would ask for better than to be permitted to suspend judgment upon most of the vexed issues of this present age. As Mr. Lloyd George has commented . . . we should then have the merit of correctitude, if not of rectitude."—G. E. G. CATLIN, *A Preface to Action*.

I

A CURSORY glance at the record of events which make up the history of Our Own Times is sufficient to suggest that we have been telling the story of a transitional period. It has been an account of a great change-over; the crossing of a Jordan. Between 1913 and 1934 humanity has been living in a world of which one-half was dying whilst the other half was struggling to be born.

Before we endeavour to estimate whither we are likely to go in the light of whence we have come, it is essential to discover the fundamental cause which has brought about the change-over. In seeking the answer to this question it will be well to look back at the story of the immediate past and ask ourselves what new feature is there revealed? It then becomes apparent that one of the most significant events of the last century, and possibly the chief cause of the crisis during Our Own Times, was the solution of the problem of basic wealth production. The qualifying word "basic" is important. The luxuries of one generation seem to be the necessities of the next, but the basic needs of a human body to-day are substantially the same as those of a body five thousand years ago. During Our Own Times it became abundantly clear to many millions of people that man's scientific achievements had made it possible for him substantially to liberate his inner self, his soul, his mind from the bonds of its flesh. From the beginning of

written history the principal concern of man on earth has been the technical business of procuring food, shelter and clothes to keep his body alive; to maintain in being that delicate and impermanent structure which is the indispensable link between God in Man and Man in God. The records show that it has been a cruel and hard task and that the energies of the majority of mankind and the fast-flying hours of their brief lives have been expended not in living, but in struggling to create the means of life. Man's efficiency as a "living" organization has been deplorably low, if by "living" one means, as we do mean, not the material process of "existing," of supporting the animal life of the body, but those higher intellectual and creative activities of man which distinguish him from the brute beasts, and hint that in some mysterious way *HOMO SAPIENS* is the carrier throughout the ages of a spark of Divinity which may in some yet distant age flame up into a bright light illuminating the whole vast and incomprehensible plan of the Universe.

And now a great discovery has been made. Nature is conquered at last, even though, as we have seen, her conquerors hang back abashed and fearful from their prostrate victim. It is almost as if they suspected a trap. They cannot bring themselves to believe that the first requirements of the body-keeping business need no longer cause them a constant and anxious preoccupation; that leisure, to a hitherto unimagined extent, is theirs for the taking; that some of the time and energy hitherto spent in averting premature death can now be spared for the business of substantially decreasing the rate of depreciation of the body machine.¹ We are timid creatures; afraid of ourselves; terrified of the terrible consequences of our achievements.

Of what exactly is man afraid? He is afraid of plenty, of leisure, of the profound change involved in passing over from a state of existence into a state of life. He is afraid because he clings to traditions and can only accustom

¹ There is no reason why men should not now begin to hammer upon the door of bodily immortality. I am convinced that some time between now and A.D. 3000 the "natural term of life" will be increased perhaps to several centuries, by the process of replacing parts of the human body before they wear out.

Conclusions

himself to a rate of progress which can be called evolution. To borrow and distort an expression of the Webbs, he prays for the "gradualness of inevitability!" In order to understand more precisely what it is of which men are afraid at the present time we must ascertain not only what they must *give up*, but what they will have to *accept* as a consequence of having solved their ancient problem of basic wealth production. The persistence of this problem produced remarkable social consequences, for since it was *the* problem of problems on earth it became the *raison d'être* of social organization.

To acquire the means of subsistence being the first and obvious duty of man, it followed that when and if he had satisfied the immediate needs of his body it was prudent to accumulate a surplus, a reserve against time of famine; a hump on which to live in his old age; a horde to bequeath to his descendants, so that the issue of his loins might start their struggle a little more adequately equipped than had been their parent. Therefore "property" came into the world. The existence of the reserve led to a natural desire for security of life, limb and possessions against the covetous instincts of those who had not toiled and would rob, or those who had toiled unproductively, yet did not wish to die. So the classes came into being on a property-owning basis; the capitalist who owned the means of production and the proletarian—the property-less person—who only owned (or thought he owned) his body. In fact, without the use of capital a man has only a short lease of his body. The tribe and the stockade, the feudal system and the moated castle, the national state and the fortified frontier followed each other like links in a chain with which men strove to bind themselves to their wealth. Empires marched splendidly across the stage of history as—sometimes on a political, sometimes on a religious basis, and sometimes, as in the case of Great Britain during the nineteenth century, upon an economic basis—successive attempts were made to enlarge the geographical area of the Great Society in which the rule of law as opposed to that of violence should govern the relations of man to man. The force of law, of religious

creed, and the bond of debt were all used severally and jointly to stabilize the society of property.

Since "real wealth" was the means of exchange with which humanity paid a fee to Death and in return for which Death held his hand for a space of time, a serious error crept into the human mind. Men began to believe that the medium of exchange was that for which it was being exchanged.¹ They began to think that wealth was life itself, and thence they proceeded to the remarkable conclusion that wealth, or property (as they called the wealth to which they possessed the legal title), was more important than the life—or rather the existence—to which wealth consumption was but a means—and only a means.

The strength of this ridiculous belief was well illustrated during the Great War. Between 1914 and 1918 citizens were conscripted for military service because their lives were needed for the defence of the state. It was not seriously suggested amongst right-minded and conventional persons that during the same period a man should be paid less than 5 per cent. per annum for the loan of his property, when this was needed for the same purpose. After the War, various proposals for a capital levy in order to reduce the immense burdens of unproductive debt which the belligerents had fastened round their necks, and those of the next generation, were rejected with horror by persons who had willingly acquiesced in a capital levy on the young life of the nation.

At the root, therefore, of most social institutions lay the notion of private property, and the importance of this idea was reflected in every facet of society. From time to time great thinkers who were capable of rising above the trammels of the body and projecting themselves into a non-material world, poured scorn on the obsession of the common man with the business of accumulating and safeguarding wealth, but the seed sown usually fell on stony ground, for the average man was more interested

¹ Just as to-day (1935) many people are under the delusion that money tokens are wealth and that an arbitrary increase in the number of such tokens will somehow increase consumption without depriving the present owners of unconsumed wealth of any of their property.

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in his life on earth than in some uncertain and disembodied existence of the future. By nature, man is part animal, and it was his nature to secure a livelihood. Nor should it be hastily concluded that the average man was wrong. Fine sayings butter no parsnips, and before the spirit could be free the body had to be satisfied. Few men can disassociate their minds from an empty belly and a shivering body.

For centuries this state of affairs continued in being, but within this form of society, which seemed to successive generations as inevitable as the rising and the setting of the sun, there were germinating forces which were to revolutionize the basic idea upon which society had been built up. In the brief space of about a century and a half (1780-1930) the productive power of western civilization knocked the bottom out of society by making it clear that scarcity of basic wealth was no longer a millstone round man's neck in his struggle to live the full life. When basic wealth is no longer scarce, parts of the economic textbooks become obsolete and, as we have seen in this book, man finds himself lost and bewildered through his sudden arrival in the material paradise of which he has dreamed for thousands of years. At the end of *Our Own Times*, God, wearied perhaps by hearing for thousands of years the prayer for daily bread, then gave bread with liberal hands. When men found that the manna which fell—if not from the skies, but from their factories and mechanized farms—came in such abundance that its receipt, distribution and consumption knocked the traditional political and economic shibboleths endwise, they altered their plea and, kneeling down, prayed for droughts, pests and floods. Moreover, fearing that God might not grant these unusual requests and that in spite of them He would still permit scientists and inventors to be born, humanity at the end of *Our Own Times* was frantically endeavouring both by the actual destruction of wealth already produced and by raising barriers to its free exchange, to recreate by artificial means those conditions of scarcity to which it had become accustomed. There is a strange irony in the thought that in

no sphere did mankind display such a zeal for international collaboration as in thus applying artificial respiration to the inanimate corpse of scarcity, their common foe.

In defence of hard-pressed and harassed humanity which was (apparently) being choked to death by the fruits of its own inventions, it must be said that God tried his children very severely when after centuries of frowns there came the smiles of plenty all within a hundred years. The Esquimaux would be hard put to it to adapt themselves to new conditions if in the space of three generations their icy lands became a tropical jungle. They might adapt themselves if given a thousand years in which to evolve new ways of life.

As we have seen in the preceding pages, although the "wants" of men are still very far from being satisfied, and millions of potential consumers are existing at a subsistence level, yet "effective demand" is satisfied, and indeed over-satisfied, so that "restriction schemes" have to be devised in order to harmonize supply and demand. It cannot be too strongly insisted that "demands" and "wants" are not synonymous. "Wants" cannot and do not become "effective demands" until they are legitimized by being dressed up in that purchasing power which is the legal title to property.

The problem of increasing the scope and volume of effective demand is in practical politics that of increasing purchasing power per head. The vast mass of humanity can only obtain this purchasing power in return for their labour, and, even making all allowances for the increasing proportion of labour which is devoted to the supply of "services" rather than to the direct production of wealth, the economic lesson of *Our Own Times* is that within the existing social system the employment of additional labour (or the working of longer hours) whilst—other things being equal—increasing consumers' purchasing power, will fail to do so *quickly enough* to enable consumers to secure the legal title to an equivalent proportion of the resulting increase of production. It will fail to do so because production is governed not by "wants" but by "effective

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demands," and the latter will not increase fast enough within the existing system. The immediate consequence of a rapid increase of production is a boom during which private profits rise rapidly, leading first to over-saving and over-investment in capital goods and the creation of a great debt structure of fixed charges. Prices rise, so do wages, but *always* less rapidly than prices. Then comes the prelude to the slump, and *entrepreneurs*, fearing the coming decrease of profitability, cut down their production of capital goods. Banks, fearing for their liquidity, call in their loans. Prices fall; the real burden of debt increases; unemployment rises; effective demand falls off; the slump feeds on itself and its economic consequences cause grave political reactions. A recurrence of boom and slump seems to be an endemic feature of the present social and economic system, and the peaks of the booms and the depths of the slumps will tend to become ever more exaggerated as the productive power of the system increases in strength.

In short, it is here argued that the economic system has been progressively losing its power of self-adjustment. There are other reasons than those already mentioned which support this view. As we have noted on many occasions throughout this book, one of the trends of Our Own Times has been a rapid extension of state intervention in economic life. It is part of the self-adjusting process of the "free" or private economic system that the penalty for economic failure should be death. As the system evolved and adapted itself to the changing demands of men, those parts of it which had become obsolete died off like withered branches and eventually disappeared. But as the economic system became more complicated and units of production increased in size, this process of "natural" selection caused an ever-increasing acuteness of social distress, and lent additional weight to humanitarian and "national political" considerations. To ease the pains of readjustments the state stepped in and applied artificial props to the dying and withered branches of the tree. It did not at the same time prune or check the growing shoots and tell the public

—to take a homely example—that it must not have motor-cars because the state had decided to preserve the horse-breeding industry. Thus, in a praiseworthy effort to mitigate distress the state kept alive a parasitical growth of un-economic activities which clogged and restricted the economic system in its efforts to change with the times. We desire to emphasize that we are not questioning the social desirability of this state intervention;¹ we only wish to make clear that it could only take place at the cost of a certain loss of economic efficiency.

The more the state has had to interfere, the more it has slowed up the pace at which the economic system could readjust itself, and the slower this pace the louder the call for state assistance from those (for example) who were out of work because the system had not readjusted itself. This TIME FACTOR is of the utmost significance and does not seem to have been given enough attention by economists. The problems we are now discussing must be considered in the time-frame of a man's life. Since the system even to-day (1935) does in fact slowly adjust itself, as is evidenced by the steady increase in employment in the "services" group of industries, and the decline of employment in the "heavy" industries, there is a tendency to forget that it takes (say) five years to transfer a man from a dying to a growing industry, years which may represent one-sixth of his effective working life, or that the change may take place so slowly that he grows older and becomes "too old at forty" before an opening in the new industry occurs. The whole question of the social consequences arising from the relationship between the rate of economic change and length of human life requires investigation.

Another factor which has become of importance during

¹ In this connection the reader should ask himself the following question: "Although Imperial Chemical Industries Ltd. is a private concern, could any government to-day (1935) allow it to go into liquidation either because of some revolutionary discovery or through some misfortune?" We think the state would have to prevent this disaster. Imperial Chemical Industries is so large, employs so many people and contains so much capital (approximately £72,000,000) that its collapse would shake the whole structure of our national economic life. Needless to say, there is no suggestion being made here that this great concern is not operated with an efficiency as satisfactory to its shareholders as it is creditable to British enterprise.

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Our Own Times in altering the whole "set up" in which the "free" and private capitalist system served the Western world during the nineteenth century, and on the whole served it pretty well, is the slowing down of the growth of population. So far as can be foreseen this matter is likely to become increasingly important. In all the industrialized countries the populations are stabilizing, and the persistent falling of the birth-rates indicates that in the not distant future the population of Western Europe will begin to decline.

A principal cause of the decline of the birth-rate is the decrease of fertility among women of child-bearing age. The rate at which this decline in population will take place will depend upon the success which may be achieved in reducing the death-rate, and especially in the infant mortality rate, but there is clear statistical evidence of the existence of the slowing up of the increase of population even in Japan.¹ The economic effects of a stabilized and ultimately falling world population will be enormous and far-reaching. The demand for basic goods will decrease, and that for variety and "luxury" goods and services will increase. The upper age group will increase relatively to the younger groups, the income per head will rise, and there will be a tendency for an increase in that disparity between saving and spending which some economists believe to be a fundamental cause of the lack of self-adjustment of the economic system.

Allied to this question of the stabilization and possible decrease of the world's population is that of the development of the virgin areas of the world. It may be—it almost certainly is the case—that the existing (1935) widespread extent of economic nationalism will in part pass away, but even so it seems doubtful whether humanity will ever again see a period of economic exploitation comparable with that of the nineteenth century, when western civilization first wrapped its economic web around the world.

The pioneering era of capitalism on a world scale is

¹ But the babies already born will increase the working population of Japan by at least ten million during the next twenty years. (See *World Economic Survey*, 1933-34, p. 61.)

drawing to a close at just about the same time as the U.S.A., the land above all others where a free and self-adjusting capitalist economic system was most clearly exhibited during Our Own Times, is passing out of the "backwoods" period.

All these considerations, and others of a like nature, which lack of space forces us to omit, lead to the conclusion that we must give consideration to a remodelling of the system if we wish to avoid the grave inconveniences of perpetuating an economic system which on social grounds we have hindered from adjusting itself, and which, even if we were to release it from its political bondage, would probably only be able to evolve in a series of catastrophic booms and slumps. Though we may have to remodel slowly we must face up to the fact that it will be of no use to tinker with the economic system; we must go to the heart of the matter, and since economic systems are only the reflections of the desires of men their creators,¹ this means we must go to the heart of man, and when we get there we shall once more be confronted with the eternal problem of Man and Himself. In this case the aspect of the problem which we must solve is the need of progressively eliminating the private profit-making urge from its traditional position as the mainspring of economic life. This means that we must start from the intention of making "wants" and not "effective demands" govern the nature of economic activity. It also involves a radical alteration in our traditional conceptions as to individual rights in certain forms of property. This presupposes the abolition of the private ownership of the *means* of wealth production. In a word it is SOCIALISM,² or, if the expression be preferred, "a planned economy." Here it may be as well to point out that when we use the word Socialism we do not mean a state of affairs in which the individual will not possess private and personal property.

¹ See Vol. I, Prelude.

² We do most sincerely hope that our readers will emulate Signor Mussolini in at least one respect and not be "afraid of words." There is a type of person on whose powers of rational thought the word "Socialism" has a kind of freezing effect. Some of these people vote for the Conservative, others for the Labour, Party.

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What is meant is that the *means* of wealth production will be communally owned, but that the output when distributed will be private and personal in the sense that in the past the means of production have been private and personal. Nor must it be understood that we are here arguing in favour of Socialism on moral and ethical grounds; that is not an aspect of the question relative to the matter now being discussed. We are simply expressing a conviction that the system of relying upon the motive of private profit as the main incentive to wealth production, a system which includes the private ownership of the means of production, breaks down upon the consumption side when human labour becomes suddenly no longer an important factor in the process of production. Nor do we wish to suggest that because the community has got to take over the means of production and build up a social system in which the motive of service replaces that of personal gain it follows that the community will make a better job of its task than has been made by private enterprise. If a ship sinks in the ocean because her passengers have unconsciously loaded her to the upper works, they will have to swim, but that does not prove that they will reach *terra firma*.

2

The statement that modern developments in the business of wealth production have created economic conditions which must be reflected by a change in the structure of society, so that the means of production pass under the control of the community and are no longer employed in the direction and to the extent circumscribed by the motive of private profit, is not anything so novel as it may appear to be at first glance. It is many years since Harcourt said "we are all Socialists nowadays," and we were all very advanced Socialists during the War, a period during which the highly respectable, altogether essential profit-making urge of the private capitalist system suddenly became a criminal offence punishable by fine and imprisonment. Ever since the War—as can be plainly seen from the record of events set down

in this book—Society in the form of its agent, the state, has been intervening continuously in economic life. The rate and method of its intervention has varied according to national characteristics and national circumstances. In Russia, Socialism came violently and suddenly, with the consequence that a reaction is certain and is indeed taking place to-day (1935). It is not unlikely that by about 1940 when the third Five-Year Plan will be producing its effect, Russia will be a somewhat backward bourgeois state in a world of Socialist states. In the U.S.A. the change has also been attempted very suddenly and reaction is very probable. In Great Britain we have conformed to our customary habit of not letting our right hand know what our left hand is doing, but the movement towards Socialism has been rapid. One of the most instructive and entertaining performances in recent political life was the spectacle of Lord Hailsham introducing a Bill (April 1934) in the House of Lords for the nationalization of any oil discoveries made in Great Britain, and doing so with the blessing of Lord Ponsonby of the Labour Opposition.

The problem, then, is not so much one of suddenly producing Socialism out of a hat and clamping it on to the people. Socialism is to a great extent already with us, and the real difficulty both in Great Britain and abroad is to make it work. A great many people do not believe that it can be made to work, and here we have at last reached the answer to the question implied in the statement set down near the beginning of this chapter that "In order to understand more precisely what it is men are afraid of at the present time we must ascertain not only what they must *give up* but what they will have *to accept* as a consequence of having solved their ancient problem of basic wealth production."

We have shown that they will have to give up their belief in the desirability of individuals owning certain of the means of production and exploiting it for purposes of private profit, and the corollary to this is that they will have progressively to accept as a code of life the spirit implied in the sentence: "From each according to his means; to each

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according to his need." Of this men are very afraid. They are well aware of their weaknesses, and many of them have grave doubts as to whether they can substitute the notion of doing one's social duty first and receiving rewards afterwards for duty faithfully performed, for the traditional notion that one's economic duty was that activity which seemed likely to lead to the maximum personal profit.

The dilemma is a cruel one. On the one hand is the very difficult, palpably absurd, and certainly immoral course of creating artificial scarcity in order to retain operative conditions for a state of society whose economic object is to remove scarcity, an object which it has performed very creditably during the past century and so swiftly that in the achievement it signed its own death warrant. On the other hand, if the alternative just mentioned is not adopted, or, if adopted, proves to be self-contradictory and unworkable, then it is necessary for men to commit themselves to a social system which does violence to their traditions and throws an immense strain on their powers of mastering their acquisitive instincts. Though the choice seems hard, it is not so hard as it seems, for in reality there is no choice. Only the second course is practicable, although it bristles with difficulties. It is sometimes supposed that the only obstacle to the necessary and indeed essential extension of Socialism is to be found in the unwillingness of the capitalist to abandon his privately owned means of production. This is by no means the case. The transference of the means of production from private to public ownership can be effected by expropriation as a result of a revolutionary situation, or by compensation, or, as is most likely to be the case in "British" countries, by a combination of the two—that is, compensation up to a limited amount. This tendency to compromise is already apparent in various parts of the Empire, *e.g.* the London Passenger Transport Board in Great Britain; and the forced "voluntary" conversion scheme in Australia as part of the Premiers' Plan. Also it may be that the state will take care to see that new means of production (*e.g.* oil production in Great Britain) shall be controlled or semi-controlled from the outset. But

assuming that this transference has been effected—what next? In theory the answer is simple. Production now takes place on the basis of use and not private profit,¹ to meet wants and not effective demands. In practice enormous difficulties arise. How are we to ascertain “how much” of “what” the people want, and “where” they want it and “when” they want it? In fact the practical problem of making Socialism work is the practical problem of making a planned economy work, and can be summed up in the words “WHAT?” “WHERE?” “WHEN?”, to which might be added the expression “QUANTITY AND QUALITY OF WHAT?”

In the private capitalist system private producers endeavoured to discover the answers to these awkward questions by doing some crystal-gazing into the globe of price in the free market,² and although many bad guesses were made on the whole and over long periods of time, they were sufficiently accurate to enable an enormous increase to be made in the quantity and quality of goods men wished to consume. The private *entrepreneur* tried hard to guess right, because if he was successful he made profits—in certain cases enormous profits (*e.g.* Mr. Ford and his guess that humanity wanted a cheap car); if he guessed wrong he went bankrupt.

Will the controller of the state-owned productive system be able to make as good or better guesses? We may assume that his motive for trying to guess well and truly, a motive which will be a sense of duty as opposed to that of profit-making, will operate as strongly on him as the motive of private profit did on his predecessor, an assumption which can be justified by reference to the existing private system. The civil servant in the British Treasury, engaged in

¹ Profit over the whole range of production there must always be to allow for depreciation and capital investment. Specific branches of production might for social purposes be conducted at a loss (as they are in private capitalist society) but they would in effect be subsidized by other branches working at a needlessly high rate of profit.

² For an analysis of this process, and her reasons for believing that the flaw in the private capitalist—or unplanned—system is that “every producer acts on assumptions which are themselves habitually falsified by similar actions on the part of every other producer,” see Chapter IV of Barbara Wootton’s *Plan or No Plan*.

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planning a conversion operation, is as keen to make a success of the job (though it brings him no personal gain) as the speculator is keen to anticipate the Treasury policy and sell or buy Government stocks on the most favourable terms and so make a profit. We think the answer to these questions must be that there is no reason to suppose that the controller of a planned economy, in which the means of production are owned by society, is likely to be any better or worse able to determine the volume and quality of production needed to satisfy wants than are the *entrepreneurs* in an unplanned system. In practice it will in fact be the same type of gentleman (or lady) who will grapple with this task, unless we are to assume revolutionary procedure and the extirpation of the "upper" and "managerial" classes—in which event (*pace* Russia) it would be necessary with all speed to train up a new supply of "experts" and "managers," and to persuade the survivors of the old gang to come to the rescue of the planned economy, which would need brains and expert skill as much and perhaps more than the "free" economy.

The ability of the controllers of the planned economy to estimate what should be the direction and volume of production when the criterion is to be "wants" and the guide will be "social considerations" and not price in the free market, will depend on accurate information. It is clear that "planning" necessitates a government department particularly charged with the duty of researching into the social sciences. Private bodies such as the Royal Statistical Society, the Royal Institute of International Affairs, and "Political and Economic Planning" are doing what they can in the matter, and the Department of Industrial Research is adding valuable contributions in the realm of physical science, but all this is only scratching at the surface.

An immense machine of government is at work in Whitehall. It has no Central Thinking Department. Not only are administration and policy-making hopelessly entangled, but somewhere in that unholy mixture is buried such long-term research as may be taking place into the nature of our political, economic and social problems.

We talk of planning and omit to make arrangements to do the thinking and the fact-finding without which plans are shots in the darkness of ignorance. For example, towards the close of *Our Own Times* it was becoming evident that a decision would have to be made as to the relative importance to be attached to industry and agriculture respectively in the economic make-up of New Britain. This vital decision, which affected British shipping, investment in the Argentine, and the economic relations between the United Kingdom and the Dominions, to mention but a few of its ramifications, was being evaded by all the political parties; and though the Socialists and Liberals made sport of the fact that in the National Government Mr. Runciman at the Board of Trade was apparently promoting policies incompatible with those being furthered by his colleague, Mr. Walter Elliot, at the Ministry of Agriculture, it was not easy to discover in the programmes of the critics any realization of the necessity of making such a decision, much less of any definite policy in the matter. It is not being suggested here that a detailed programme dealing with this question is essential; such "plans" are not in keeping with the British tradition; but we do feel that empirical methods suited to a crisis are not to be encouraged as a permanent policy, and that an enlargement of the functions and activities of such bodies as the Economic Advisory Committee and the Imperial Economic Committee was highly desirable at the beginning of the *Times to Come*. One more instance of a most matter-of-fact kind must suffice to indicate the elementary state of our research work. In the annual estimate prepared by the Board of Trade showing our balance of payments on foreign account there occurs on the revenue side a notorious item called "Other Sources," or, by irreverent contemporaries, "The Rag Bag." According to a former officer of the statistical department this includes "Receipts from the sale of second-hand ships to other countries, emigrants' remittances, savings of returning migrants, tourists' expenditure in the United Kingdom, family remittances, etc. etc., and corresponding payments to foreign countries have to be de-

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ducted." It is believed that this item may be as much as plus or minus £10,000,000 in error.

Now the rectification of such a scandal as that just mentioned and many like it would leave us still very far short of the fundamental research into social sciences which we demand; but if even a start be made with the provision of better statistics, something will have been achieved.

Knowledge is Power, and the niggardly sums disbursed from the public purse for the purposes of research into matters of national importance are a disgrace and a stupidity. Moreover, unless we mistake the temper of the people, there is a widespread feeling that what may be described as the hydrographic work needed by way of preface to the issue of social charts upon which the ship of state must navigate in the Times to Come, is essentially non-party work and is necessary to the welfare of the whole community. It may be as well to warn extreme party-men that one conclusion which the writer has reached as a result of supervising this kind of research work into international problems is that when it is undertaken in a spirit of real objectivity, party differences often shrink to proportions which are negligible in comparison with the extent of general agreement which is found to exist. In politics, the practical is the dominant factor, and when people talk with satisfaction of being "Poles apart" they had better be careful not to explore the ignorance with which they surround their position, or else they may find themselves if not at the Equator, at any rate in a temperate latitude.

3

If, then, the problem of determining the style of future production is as difficult with a planned Socialist economy as with an unplanned private capitalist economy, does it follow that our conclusion that the solution of the technical problem of production makes the private ownership of the means of production an anachronism, is a mirage? By no means. In theory it could be argued that in the free system consumers' choice is unlimited both in variety and quantity, and that demand governs supply; but, as we have seen, the

conditions governing production in this system lead to a state of affairs in which large numbers of consumers cannot translate their wants into effective demands.¹ In the planned system it could be argued that consumers' choice will be limited as regards variety and quantity by the terms of the plan, but that within these limits their wants will be effective demands.

One can look at the matter from another angle. In a community in which—say by the bounty of Nature—all the body-keeping needs of men were provided for, that is to say, everyone had what the majority of the population consider to be an adequate supply of food, clothes, housing and other amenities, a planned system would not seem to have much to recommend it. When, however, the elementary needs of life are unsatisfied, the planned system has a strong claim to favour as a means of providing those needs. The preceding sentence inevitably contains certain assumptions which are political rather than economic, matters of opinion rather than matters of fact. What do we mean by "adequate supply," or, as some would say, "proper standard of living"? These terms are indefinable and incommensurable. The luxuries of one generation become the necessities of its children. A standard of living is a standard of satisfaction, and one man's meat is another man's poison. But things which cannot be defined can be recognized, and at any given moment in any given community right seems to be right, wrong to be wrong, hardship to be hardship and luxury to be luxury.

In practice—in Great Britain, for example—the whole history of social services during the past century has been the story of a gradual translation of certain forms of production from private to public control.

It is here that we can find the key to the puzzle of where and how—if it is as difficult for the public controller as for the private *entrepreneur* to guess and anticipate wants—the planned economy has advantages over the private system.

¹ Especially since—as we have repeatedly shown in this study—the so-called "free system" never has been completely free and flexible in real life. There never have been "economic men."

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When the bulk of the population clearly want something, the satisfaction of that want should be undertaken by a socialized system, because in such cases since the risk of a bad guess is negligible, there is neither economic need (nor moral justification) for the intrusion of private profit into the business of production. To take some extreme examples: Nearly everyone in Great Britain would consider it intolerable that national defence, public health, the road services and tax-collecting should be private profit-making concerns. Most people would add to that list: the Post Office, the B.B.C. and London's Transport Service. About 7,000,000 Socialists would add a third list on which they would put: the provision of credit by banks; coal production; railway transport; steel and iron; textiles; shipping; food supply; and all those branches of production which at the present day are regarded as the basic necessities of a civilized life.

One may sum the matter up by saying that the less the risk (in an economic sense) the greater the need for Socialism, and the greater the risk the greater the need for private profit as a spur for enterprise.

Now this question of "risk," and that of the need for private profit as a spur to enterprise, are factors whose magnitude are within the control of the community. The degree of "risk" attaching to an enterprise of production is at its maximum if consumers are to be left free to accept or reject the output of production. If, on the other hand, the community decides that every member thereof is to drink one pint of milk per diem, the "risk" in milk production is substantially reduced. Some Socialists and advocates of planned economies appear to be under the delusion that it is possible to eliminate all freedom from the production side, to direct "capital" into predetermined channels of production in accordance with certain wants, and yet leave the consuming side of the market in a pleasant state of roaring anarchy and freedom. This is a profound error. If consumption is not planned (and that means controlled and directed) the "certain wants" mentioned above may not materialize, and the first state of the planned

economy will be worse than the last state of capitalism. Socialists must realize that if the right, or producing, leg of the economic system is to be made to march to the tune of the *Internationale*, the left, or consuming, leg will also have to keep step.

Therefore the degree of economic risk in production can be limited by the extent to which the individual consumers—acting, as they will have to do, in co-operation—are prepared to make up their minds what they want and (this is more difficult) stick to their decisions for a reasonable time, however much they are inclined to change their tastes.

The second factor which it was suggested could be controlled by man was “the need for private profit as a spur to enterprise.” The experience of the War of 1914–18, the day-to-day practice of certain professions, such as “the Services”¹ and the medical profession, suggest that in certain circumstances the motive of private profit is by no means essential to productive work. It is probably true to say that since the War there has been a marked growth in Great Britain amongst leaders of industry and persons of property of a feeling that duty precedes privileges.² The development by every possible means of this attitude on the part of the individual towards society is clearly indispensable to the success of a planned system. In Russia it is the creation of this spirit and its preservation from the taint of the profit-making urge which is the constant duty and preoccupation of the Communist Party, whose members are presumed to have succeeded in the struggle to conquer self. Past experience suggests that it is in time of crisis and danger that the profit-making urge becomes least important, and it would be highly unsafe to assume that the degree of discipline over acquisitiveness which can be maintained during a national crisis would last over a period of years. Nevertheless, it should be possible substantially to speed up that process of changing the motive of economic activity from profit to service which is already taking place, provided

¹ Fighting Services and Civil Services.

² President Roosevelt was in 1933–35 engaged upon the task of preaching this doctrine in the land of rugged individualism.

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that the central authority has a mandate to proceed in this direction. The thing can be done if people wish to do it, and they will wish to do it if they can be convinced that in the process they will benefit themselves. In other words, the practical problem is not so much to create a nation of saints, each one thinking of his neighbour first and himself second, but rather to show that in the present state of human society enlightened self-interest indicates that individual objectives are better attained by co-operation than by competition.

4

We see then that at the end of this book we are back again in front of the problem of Man and Himself, which in many shapes and forms, both before and during *Our Own Times*, has perplexed humanity. Are men any nearer to its solution to-day than they were a hundred, two hundred, a thousand, five thousand years ago? To this question we believe the answer is "Yes," and for the following reasons:

In order to solve a problem, three conditions must be satisfied. The problem must be recognized and isolated sufficiently for it to be attacked; secondly, the technical tools needed for the work of solution must be available; thirdly, there must be a will to use the tools in order to solve the problem which has been recognized.

Let us see how humanity stands to-day in those three respects, as regards its great problem of economic self-government. The story of *Our Own Times* ends with a widespread growth of nationalism reflected in various attempts to stage planned economies. This is evidence that the existence of the great problem is in part recognized by the millions. They do not recognize that it is universal; they think of it in terms of the largest unit of which their imaginations are as yet capable, and that is the national state. But within these limits attempts are being made to plan, to co-ordinate, to create a sense of team-work. These attempts fall into categories, Fascist and Socialist. It will be necessary to say something in a moment about the fundamental

difference between the Fascist experiments of, for example, Italy, Germany and Austria, and the Socialist and near-Socialist experiments in Russia and Great Britain.

The problem of the need of co-operation is recognized. What of the necessary tools? They exist in embarrassing profusion. The events of *Our Own Times* have told something of the confusion caused in the affairs of men by the sudden impact of the first and second industrial revolutions upon the sleepy centuries. The tools need not be catalogued. As an example it is sufficient to remark that, thanks to scientific discoveries, the influence of the time/space factor on the conduct of affairs is in process of being reduced to a minimum.

Finally, we come to the third condition—the will to use the tools in order to solve the problem which has been recognized. As to this, the last and hardest of the conditions, there is yet a long journey to be travelled, a pilgrimage likely to be marked by wars and rumours of wars. The story of *Our Own Times* is in part a record of how the Great War and the crisis which it accelerated had an educative effect upon mankind. We suggest that the recognition of the problem was largely brought about as a consequence of this education. The determination to use the tools of science so as to bring about conditions of peace on earth and a happy leisured life for all is still nebulous and unformulated. Its germ is to be found in the Socialist-moving states, the economies planned on Socialist lines—for the Fascist states are in this respect wolves in sheep's clothing. The Fascist states are forms of organization by which an established—and, as we have argued, an absolute—social order seeks to maintain its status by exploiting the economic need for planning. The Fascist “planned economy” is the exact antithesis of (say) the Russian “planned economy.” In the latter case the machinery of the state is brutally employed in order to crush the private capitalist in the interests of the proletariat¹; in the Fascist system the state brings labour and capitalism into “co-operation” by the process of removing labour's

¹ And as we have seen gets into difficulties when it turns the proletariat into capitalists (see Chapter VIII.).

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teeth in the dental chair of the corporative state. In due course we shall probably see the masses in the Fascist states awake to the confidence trick of which they are at present the victims, just as we may also see the Russian Communists struggling to enforce the principles of Socialism in a country where, as the standard of living rises, class tendencies begin once more to raise their counter-revolutionary and profit-making heads.

The ultimate goal should be some form of world unity in which war has been banished and replaced by the rule of law. A world in which within the limits which must always be present in human affairs, but limits far wider than any yet known, men's wants are also their effective demands. A world in which all men are leisured and in which the body-keeping business absorbs a negligible proportion of their thoughts and energies. In brief, Paradise regained.

After making all allowance for the increase in the rate of evolution which seems to be taking place, such a world as this must be centuries a-coming. What of our own lives, of the Times to Come?

Within this century it might be possible to so marshal humanity that by the time we are very old men there might be emerging signs of a will to solve these aspects of the problem of Man and Himself, signs as definite as those indications which now exist that the problem has achieved widespread recognition.

This great step forward will only be achieved if leadership is vouchsafed to the caravan of humanity, which is circling blindly in its efforts to find the way out of the present discontents. It is in this matter of leadership that the people of our own country have a high destiny. During the nineteenth century, through a fortuitous combination of circumstances, it fell to the lot of the British to lay the foundations and shape the structure of a world order which in its economic aspect can be described as systematic anarchy. Simultaneously within the limits of the areas over which they had political control they extended the principles of human liberty and democratic government.

During the twentieth century the British should make

it their business to advance and influence the beginnings of a world order in which, upon the political side, national sovereignty is progressively curbed and merged into a super-national authority, whilst upon the side of economics the production of the basic needs of men is in accordance with their ascertained wants rather than with profit-making possibilities.

The task is principally one of education. These things can be done if man wishes to do them. The problem of Man and Himself is not insoluble, but it embodies one special and enormous difficulty; it is not external to man. Each man must strive so to subordinate and eliminate the evil within him as to fit himself both to create and to inhabit the Kingdom of God on earth. This is not a process which can be achieved by violence. It is a process of persuasion. Not only should it be the task of the British to use their influence to keep clearly before mankind the nature of the camping ground towards which the caravan of humanity should direct its course, but it should also be their business to oppose the use of violence and revolution as a means of changing the organization of human society.

These reflections indicate the general character of the objective which should be pursued. It will not be attained within the lifetime of any reader of this book. What of the immediate future? What should be our policies in the Times to Come, before we pass on and leave the great world spinning "for ever down the ringing grooves of change?" To outline a programme for the next few years is a temptation, but it must be resisted, and for two reasons: firstly, it would be out of place in a book which is chiefly concerned with giving account of what has been; secondly, it would be impossible in a few pages to set forth in any detail suggestions as to the political and economic policies which should be pursued by His Majesty's Government. It is easy to generalize, but in such matters not generalities but practical details are required. Nevertheless, we shall succumb to temptation to a slight extent by submitting an outline of the nature of the task in front of the people of Great Britain in 1935. It can best be understood if con-

sidered first from the economic and then from the political aspect.

5

Great Britain's twentieth-century policy in the sphere of world trade must be to make herself the commercial, industrial and financial centre of as large, as varied and as populous a trading system as may be consistent with the maintenance of two vital qualifications: it must be a system within which war is almost "unthinkable"; and it must be ordered in accordance with democratic principles, since a certain community of political thought is absolutely essential as a foundation for a stable economic system. Only a politically harmonious group of national states can agree to such necessary limitations of national sovereignty as are a *sine qua non* of foreign trade; only within such a group can international investment take place with safety, or a common monetary system be evolved and maintained¹; only under such conditions can there be satisfactory working arrangements as to what shall be reserved to the home market and what shall be imported, or a general agreement upon such matters as standards of living, hours of work, and conditions of labour. In short, confidence in the future and a feeling of security are the indispensable political prerequisites to economic progress.

This belief in the desirability of Great Britain being the centre of an economic world within a world does not mean that we are blind to the dangers of economic *blocs* ranging themselves against each other. It is hoped that good relations, political and economic, would grow up between the British sterling group and (say) a Pan-European group. It is essential both in politics and economics to work in the closest possible relations with the U.S.A. The proposal for some form of sterling *bloc* is merely advanced as a necessary preliminary piece of

¹ In the international system, of which we hope Great Britain will form the core, we foresee currencies linked loosely to gold with parities variable between predetermined limits in order to compromise between the needs of stable exchanges and stable internal levels.

rationalization in the task of moving towards a world-wide economic system.

In addition, there is that whole group of problems comprised in the expression "the reorganization of our economic life." We must realize that our economy is in general appearance the child of a century of *laissez-faire*, and that unrestricted competition is now recognized to be both unsocial and uneconomic. Reasons have been given for the belief that a time has arrived when it is imperative that the means of production of the basic needs of life should be owned by the community. Large-scale experiments in this direction should be undertaken. The present socialization of housing, the transport services, the supply of food, fuel and power, the iron and steel industry, and the banking services should be speeded up.

Just as in the nineteenth century we showed the world how to make an immense stride forward in wealth production by the use of machinery whose products were exchanged in the free market, so in the years to come we must show the world how through progressive measures of social co-operation and the conscious direction of economic activities it is possible to ensure that high standards of living, including an amount of leisure hitherto the privilege of the few, can be at the disposal of the many. This process must be gradual, because its success is absolutely dependent upon a widespread realization amongst the community that the profit-making urge can be relegated to the background in men's minds and replaced by the notion that when and if an individual does his duty towards the community to the best of his ability, the community has the duty of ensuring that proper provision is made for the well-being of the individual.

Such a realization is far more widespread in Great Britain to-day than is generally thought. Some industries and services mentioned above are, broadly speaking, half socialized already, and there is every indication that within the next twenty years force of circumstances will necessitate the establishment of some form of central economic body, which will co-ordinate the activities of the various Boards which

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will direct the fortunes of the great basic industries and services. The state will control policy, but, at any rate to begin with, it will be excluded from the practical administration of the undertakings. These changes are inevitable, and are not likely to be the children of any particular party. It is at least as probable that the "Conservative" Party (especially if another Disraeli should arise) will be more active in this matter than the "Labour" Party. The older type of Trade Union leader and the die-hard Tory are alike obstacles to the necessary reforms, and between the two there is not much to choose in obstinacy. They have both outlived their day and are museum pieces.

As regards international politics there are four directions in which effort should be made. Firstly, the support and utilization of the League of Nations, especially on the economic side. Secondly, the development and preservation of the British Commonwealth of Nations, as a sanctuary of democracy, as an association of sovereign states which has made notable progress towards the elimination of war as a means of settling their disputes, and as the nucleus of a world society recognizing the supremacy of international law and the subordination of national sovereignty. Thirdly, the linking up of the Empire group with the U.S.A. as the keystone of a system of collective security.

Fourthly, the dramatization of peace. It is most necessary to bring home to people that peace needs to be organized and, like war, demands its sacrifices; it must not be taken for granted. The fact that PEACE is depicted in cartoons as an unreal woman in a nightgown with a dove in her hand is significant. People do not die for such ladies.

On the home front the supreme political task must be to make democracy work and to ensure that Great Britain will remain in the future, as she has been in the past, a stronghold of individual freedom, liberty and tolerance. The complexities of modern civilization make it essential that executive action should be entrusted to specialists, but the direction of policy must remain under the control of the people. If this direction be a reality and not a fiction,

public opinion must be instructed as to the nature of the problems which the specialists are attempting to solve. Democracy must be taught to think, and to appreciate that Liberty means more than the removal of restraints upon individual action; that it means self-discipline and entails conscious co-operation with the rest of the community in an effort to attain aims and objects decided upon after open debate and discussion.

6

At the end of *Our Own Times* the most important issue in the world was that of Freedom. The profound political and economic changes whose story we have traced in these pages had created problems which had caused Authority to take on new shapes. The question which remained unanswered in 1935 was whether the reshaping of the mechanism of authority which had become a practical necessity could take place in such a manner as to preserve the fundamental principles of democracy. One of these is, that it is the business of authority so to arrange matters that by a co-ordination of activities each person has the maximum possible amount of freedom in which and by which to develop his personality and live the full life. The menace of the Authoritarian state with its substitution of the group—either racial or national—for the individual as the central fact in life, was very real in 1935. It cannot be said too plainly that there can be no compromise between the principles which are at the root of democracy on the one hand and the Totalitarian system on the other. The first is based upon the belief that the most worth while and significant thing in the world is human personality; the other believes that this personality should be swallowed up in a group.

If the democratic principle is to prevail—and there will no doubt be great changes in democratic forms which need not affect its principles—it is vital that we should realize that one of the most urgent and practical tasks in front of us is education for citizenship, whereby the individual may learn that freedom for self is only obtained at

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its maximum when all other members of the community enjoy the maximum political and economic freedom.

This book has been written as a small contribution towards the achievement of that task in the belief that if we can see, however dimly, whence we have come, it may help us to decide where to go. In the midst of much uncertainty, in a world distracted by fears and doubts, the writer holds firmly to the faith that the Problem of Man and Himself is *not* to be solved by abolishing Man the Individual.

PART IV

SELECTED CHRONOLOGY, 1913-1934

APPENDICES

I. ORGANIZATION OF THE LEAGUE OF NATIONS

II. SUBSIDY OF SHIPPING

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SELECTED CHRONOLOGY, 1913-1934

THE purpose of this chronology is that of presenting a chronological picture of the most interesting events of Our Own Times. Interesting to whom? That was the problem which bothered me and my assistants, Mrs. Scott and Miss M. Bland, as we wrestled with what we believed would prove a simple task. It was not as simple as it looked. We consulted, *inter alia*, the files of *The Times*, *The Annual Register*; chronologies in the *Annual Surveys of International Affairs*; *The Bulletin of International News*; and *The Economist*. From these sources we boiled down a chronology of events which seemed interesting to us. We tried to pay particular attention to the events of the War years and to those in South America and Scandinavia, events with which it has been impossible, for reasons of space, to deal at any length in the text of our study. Furthermore, we have not hesitated to include an occasional reference to social events, in order to remind readers that a political and economic survey of Our Own Times can only cover a part of the fascinating and multifarious activities of humanity. I take this opportunity of expressing my appreciation for the assistance given to me by Miss M. Bland in the final stages of preparing Vol. II. for the press.

S. K-H.

1913.

January.

- 6 Suspension of Balkan War. Peace Conference in London.
- 11 Last horse omnibus ran in the streets of Paris.
- 15 Women eligible as Fellows of the Royal Geographical Society.
- 16 Irish Home Rule Bill read a third time in the Commons and carried by 367 votes to 257.
- 17 M. Poincaré became President of the French Republic.
- 18 Doctors agreed to work the Insurance Act.
- 28 First Legislative Council Meeting at Delhi.

February.

- 3 The Balkan War resumed.

Our Own Times

1913.

March.

- 4 President Woodrow Wilson inaugurated at Washington. Orders issued under the Aerial Navigation Act prohibiting flying over certain areas, mostly places of naval or military importance.
- 5 Twenty-sixth English airman killed.
- 6 Tercentenary of the accession of the Romanoff dynasty celebrated in Russia.
- 11 French airman established a height record of 19,686 feet.
- 17 Prince of Wales visited Germany.

May.

- 5 *The Times* reduced the price of its single copies to 2d.
- 13 Balkan States agreed to cease fighting and attend Conference in London.
- 17 Austro-Hungarian Government began the discharge of Reservists.
- 19 Visit of the King and Queen to Germany.
- 24 (Empire Day.)
Wedding of Princess Louise of Prussia and Prince Ernst August of Cumberland in Berlin. The Czar and King George V present. End of the feud between Houses of Guelph and Hohenzollern.
- 26 First appointment of a woman as magistrate.
- 30 The Treaty of Peace between the Balkan Allies and the Porte signed at St. James's Palace.

June.

- 4 Suffragist killed attempting to stop the King's horse in the Derby.
- 16 Celebration of the 25th anniversary of the accession of the German Emperor.

July.

- 3 Rumania decided to mobilize.
- 10 Rumania declared war against Bulgaria.

August.

- 2 Serious rioting at Cawnpore; thirteen rioters and one policeman killed.
- 3 Declaration of Italian neutrality.
- 9 Peace signed at Bucharest between Bulgaria, Rumania, Serbia and Montenegro.
- 12 Board of Trade report showed cost of living in the United Kingdom had risen between 1905 and 1912 by 15 per cent. In Austria corresponding increase was 35 per cent., in Belgium 32 per cent., in France 115 per cent., and in Germany (Baden) 30 per cent.
- 14 Report of committee on London motor traffic issued.
- 27 *Daily Mail* All-British Waterplane Competition. Mr. Hawker, the only competitor left in, wrecked 12 miles off Dublin. Distance covered—1040 miles in 54 hrs. 25 minutes.
The Palace of Peace opened at The Hague.

Selected Chronology

1913.

September.

- 1 A French airman (Pégoud) looped the loop.
- 9 German Zeppelin L1 destroyed in a storm.
- 20 *Daily Mail* Aerial Derby, over a course of $94\frac{1}{2}$ miles; won by Gustav Hamel.
- 23 French airman flew across the Mediterranean.
- 29 Turko-Bulgarian Treaty of Peace signed at Constantinople.
International aeroplane race at Rheims; distance, 125 miles, in 59 mins. 45 secs. Three entries.

October.

- 6 Yuan Shih-kai became President of the Chinese Republic.

1914.

March.

- 1 King offered a cup for an International Yacht Race at Panama in 1915.
- 10 The Rokeby Venus damaged by a suffragette.
- 16 *The Times* appeared at the price of 1d.
- 20 Trouble with the Army officers in Ireland owing to possibility of civil war against Ulster.
- 30 Mr. Asquith, the Prime Minister, became Secretary of State for War, owing to resignation of Col. Seely.

April.

- 7 Completion of the Grand Trunk Pacific Railway.
- 24 Gun-running in Ulster.

June.

- 6 Aerial Derby round London. Distance, $94\frac{1}{2}$ miles. Time, 1 hr. 18 mins. 54 secs. Four competitors completed the course.
- 11 Bomb outrage by militant suffragettes in Westminster Abbey.
- 22 German manufacturers visiting England entertained at the Guildhall.
- 28 Murder of Archduke Franz Ferdinand at Serajevo.

July.

- 2 Death of Joseph Chamberlain.
- 4 Close of Henley Regatta. German Club beaten by Leander.
The report on emigration for the U.K. for 1913 showed that the loss by migration was 241,997, or about 71,000 less than in 1912.
- 11 Air Race from London to Paris and back. Only two of six starters completed both journeys.
- 18 Naval Review at Portsmouth.
- 19 Home Rule Conference summoned.
- 23 Austro-Hungarian Government sent ultimatum to Serbia.

Our Own Times

1914.

July

- 24 Failure of Home Rule Conference.
British Foreign Minister (Grey) suggested international conference.
- 26 Gun-running by Irish volunteers at Howth. Scottish Borderers fire on the crowd.
- 28 Austria-Hungary declared war on Serbia.
British Fleet proceeded to war base.
- 30 Belgrade bombarded by the Austrians.
London Stock Exchange closed.

August.

- 1 Germany declared war on Russia.
- 2 Germany demanded right of way through Belgium.
- 3 Germany declared war on France.
Abandonment of Cowes Regatta.
Moratorium declared.
Belgium rejected German ultimatum: King Albert appealed to King George.
- 4 Great Britain declared war on Germany.
German troops entered Belgium.
British ultimatum: Belgian neutrality to be respected.
Treaty between Germany and Turkey.
- 5 Austria-Hungary declared war on Russia.
- 7 Lord Kitchener appealed for first 100,000 men.
"Battle of the Frontiers" began in France.
- 8 Hostilities commenced in East Africa.
- 9 First units of B.E.F. landed in France.
- 10 France declared war on Austria.
Goeben and *Breslau* entered Dardanelles.
- 12 Great Britain declared war on Austria-Hungary.
- 13 Austrian forces invaded Serbia.
- 15 Opening of the Panama Canal.
- 16 Russians invaded East Prussia.
- 20 Brussels occupied by German forces: Belgian Government transferred to Antwerp.
British Order in Council on Conditional Contraband.
- 23 Battle of Mons.
Japan declared war on Germany.
- 25 Austrian forces retreated from Serbia.
Retreat from Mons.
- 26 Fall of Namur.
Battle of Le Cateau.
- 26-31 Germans defeated Russians at Tannenberg.
German forces surrendered in Togoland.
Destruction of Louvain.
- 27 First British wounded arrived at Folkestone.
- 28 Naval action off Heligoland.

Selected Chronology

1914.

September.

- 2 Japanese forces landed in Shantung to attack Tsingtau.
French Government transferred from Paris to Bordeaux.
- 5 German forces reached Claye, 10 miles from Paris (nearest point reached during the war).
British, French and Russian Governments signed the "Pact of London." Decision not to make separate peace.
- 6-10 Battle of the Marne. German advance checked.
- 7 Second invasion of Serbia by Austria.
- 13-27 Battle of the Aisne (1914).
- 14 *Emden* (German light cruiser) made first capture in Indian Ocean.
- 15 German New Guinea surrendered to Australians.
- 22 H.M.S. *Aboukir*, *Hogue*, and *Cressy* sunk by Submarine U9.
British air raid on Dusseldorf Zeppelin sheds.
- 25-29 Battle of Albert.
- 26 Indian E.F. landed at Marseilles.
Siege of Antwerp.
First use of wireless from aeroplane to artillery (by British R.F.C.).

October.

- 1 Turkey closed the Dardanelles.
- 3 Austro-German invasion of Poland began.
First contingent of Canadian and Newfoundland Expeditionary Forces left for England.
- 5 The National Relief Fund reached £3 million.
- 6 British Royal Naval Division arrived at Antwerp.
Belgian Government left Antwerp.
Russian retreat in Poland and Galicia.
- 10 Fall of Antwerp. Part of R.N. Division interned in Holland.
- 12 Lille capitulated to Germans.
Martial law declared in South Africa: Maritz rebellion.
- 15 Zeebrugge and Ostend occupied by Germans.
First Battle of Ypres (1914) began.
- 16 Battle of the Yser began. British monitors in action.
New Zealand Expeditionary Force left for France.
- 17 German shops wrecked by mob in London.
First units of Australian Imperial Force embarked for France.
- 21 German retreat in Poland.
- 26 Importation of sugar into the U.K. controlled.
- 27 H.M.S. *Audacious* sunk in Lough Swilly.
Defeat of Maritz by Botha.
- 29 Turkey joined the Central Powers in the War.
- 31 British Order in Council further revising list of contraband.
Critical day of Battle of Ypres.

Our Own Times

1914.

November.

- 1 Battle off Coronel. H.M.S. *Good Hope* and *Monmouth* sunk by Admiral von Spee's squadron.
- 2 British Admiralty declared the North Sea a military zone.
- 3 British force attacked German East Africa.
U.S. elections, large Republican gains.
- 4 Moratorium in Great Britain ended.
- 5 Great Britain and France declared war on Turkey.
Great Britain annexed Cyprus.
- 6 Execution of Karl Lody in the Tower for espionage.
- 7 Japanese captured Tsingtau.
Fighting between Union forces and rebels under De Wet.
Belgium declared war on Turkey.
- 9 Lord Mayor's Show included contingents of Dominion troops.
Emden destroyed by H.M.A.S. *Sydney* at the Cocos Islands.
- 16 Mr. Asquith asked for £225 million war credit : expenditure nearly £1 million a day.
- 17 £350 million War Loan announced.
- 18 Great Britain declared Protectorate over Egypt.
- 21 First Battle of Ypres (1914) ended. Failure of German attempt to take Calais. Trench warfare on whole Western Front began.
- 22 Basra, Mesopotamia, occupied by British forces.
- 23 Sultan of Turkey as Caliph proclaimed holy war on Allies.
Death of Earl Roberts.
- 27 D.O.R.A. passed.

December.

- 1 Surrender of De Wet in South Africa.
- 2 Austrians took Belgrade.
- 6 The Pope tried to promote Christmas truce.
- 8 Battle of the Falklands. Admiral von Spee's squadron destroyed.
- 10 French Government returned to Paris.
- 13 British submarine dived under nets in Dardanelles.
Austrian defeat in Serbia.
- 15 King Peter returned to Belgrade.
- 16 German bombardment of Hartlepool, Scarborough and Whitby.
- 18 British Protectorate over Egypt proclaimed.
- 24 First German air raid on England.
- 29 U.S. Note to Britain on American sea-borne trade.

1915.

January.

- 4 London Stock Exchange reopened.
- 6 Turks invaded Sinai Peninsula.
- 12 University Boat Race cancelled.
- 18 Japan presented "Twenty-one Demands" to China.

Selected Chronology

1915.

January.

- 19 First airship raid on England.
- 20 Conviction of a shipowner on a charge of trading with the enemy.
- 24 Action of the Dogger Bank.
- 26 Turkish attacks on Suez Canal Zone began.
- 27 British loan of £5 million to Rumania.
- 30 Admiralty warned British Merchant vessels to fly neutral or no ensigns in vicinity of British Isles.
First ships (belligerent flags) sunk without warning.

February.

- 2 Highest wheat-price in Chicago since 1898.
Bulgarian Government negotiated loan of £3 million in Germany.
- 4 German blockade of Great Britain announced for February 18th.
- 6 Triple Entente finance-agreement.
Lusitania arrived at Liverpool flying U.S. flag.
- 9 First Canadian Division left England for France.
Dispute in Yorkshire coalfields settled by concession of men's demands during continuance of War.
- 11 U.S. Government protested to British Government against use of American flag, and to Germany *re* attacks on neutral shipping.
- 13 Increase of wages to railway workers.
- 15 Entente Government approached Greece on behalf of Serbia and promised military support at Salonika.
- 16 German reply to U.S. Note : discontinuance of submarine warfare contingent upon modification of British blockade policy.
- 18 German submarine blockade of Great Britain began.
- 19 British replied to the U.S.A. *re* use of American flag and seizures of American cargoes destined for neutral ports.
Allied naval attack on the Dardanelles started. Naval bombardment.
- 20 German Admiralty ordered American and Italian flags to be respected : special route for Scandinavian ships.
- 24 First British Territorial Division left England for France.
- 26 Demolition parties of marines landed in Dardanelles.
Entente blockade of Germany announced.

March.

- 3 Price of flour reduced to 52s. a sack (first reduction during War).
- 5 £50 million 3 per cent. Exchequer Bonds announced.
H.M.S. Queen Elizabeth in action at the Dardanelles.
M. Venizelos offered Greek Fleet and troops to Entente for operation in the Dardanelles.
- 6 King of Greece refused assent to M. Venizelos's policy and M. Venizelos resigned.
- 8 British Fleet entered the Dardanelles.
- 10-12 Battle of Neuve Chapelle.
- 11 Entente Blockade of Germany came into effect.

Our Own Times

1915.

March.

- 14 Light cruiser *Dresden* sunk by British off Chile.
- 18 Secret agreement between Britain, France and Russia *re* Constantinople, the Straits, and Persia.
Further Allied naval attack on Dardanelles ports.
- 25 Dutch ship sunk by U-boat.
- 26 Germans used liquid fire in Alsace.
- 28 First passenger-ship (British) sunk by German submarine. 104 drowned.
- 30 Germany announced suspension of favourable treatment of Scandinavian ships.

April.

- 5 U.S. demanded compensation for sinking of *William P. Frye*.
- 6 The King commanded that no wine, spirits or beer should be consumed in any of his houses after the 8th April.
- 11 The *Kronprinz Wilhelm*, last German raider at large, interned in U.S.A.
- 13 Price of bread in London increased to 8½d. a quartern.
- 19 A record day at Central Recruiting Office in London.
- 22 Battles of Ypres (1915) began. First German gas attack.
- 23 British blockade of the Cameroons began.
- 25 Allied forces effected landing at the Dardanelles.
- 26 Treaty of London between Italy and the Allies.

May.

- 1 Austro-German Spring offensive in Galicia began.
- 4 Italy denounced the Triple Alliance.
- 7 Japanese ultimatum to China. Revised edition of "Twenty-one Demands."
- Lusitania* sunk by German submarine off Queenstown.
- 9-25 Battle of Festubert: British Army short of munitions.
- 10-12 Anti-German rioting in London over *Lusitania* outrage.
- 13 Export of coal and coke, except to British possessions and Allied countries, prohibited.
Mr. Asquith announced enemy aliens of military age to be interned or repatriated.
- 14 Lord French's statement on the munitions position.
First U.S. "*Lusitania*" note to Germany.
- 19 Jockey Club, at the request of the Government, suspended all racing during the War except at Newmarket.
- 20 Recruiting in London proceeding very slowly.
- 23 Italian Government declared war on Austria.
- 25 Coalition Ministry formed in Great Britain by Mr. Asquith.
Treaty between China and Japan concerning Shantung, South Manchuria and Inner Mongolia.
Fighting began in the Trentino and Isonzo.

Selected Chronology

1915.

May.

- 27 Mr. Winston Churchill, First Lord of the Admiralty, resigned.
Appointment of Liquor Control Board.
- 31 First Zeppelin raid on London.

June.

- 3 First meeting in Paris of Allied Conference on economic aspects of the War.
Austrians recapture Przemsyl.
- 5 First Conference of British and French Ministers to co-ordinate War policy and strategy—held at Calais.
- 7 Price of flour reduced to 50s. a sack.
German Zeppelin destroyed in mid-air by British aeroplane (Warneford).
- 10 Russian advance on the Dneister.
- 16 Mr. Lloyd George Minister of Munitions.
- 18 Committee of the Board of Agriculture appointed to maintain the production of food.
- 22 Austro-Germans captured Lemberg.
- 30 German advance in Galicia.
Italian battle for Carso plateau began.

July.

- 3 Turkish troops in Gallipoli heavily reinforced.
- 6 Inter-Allied Conference at Calais.
- 9 German South-West Africa capitulated to General Botha.
- 13 Great Austro-German offensive on Eastern Front from Baltic to Bukowina began.
Second British War Loan total, £570 millions.
- 14 Euphrates campaign began.
- 15 South Wales coal strike.
- 18 British casualties to date, 330,995 (Army); 9,106 (Navy).
- 24 Arab and Turkish force defeated in Euphrates Valley.
- 30 Russian retreat on whole Polish front.

August.

- 6 Big Allied movement in Gallipoli.
Landing at Suvla and Battle of Sari Bair (Dardanelles) began.
- 8 Fresh Turkish reinforcements at Suvla.
- 15 The National Register taken throughout Great Britain.
- 20 Italy declared war on Turkey.
British and French Governments declared cotton absolute contraband.
- 22 M. Venizelos reappointed Premier of Greece.
- 27 German submarine warfare modified in response to American demands.

Our Own Times

1915.

September.

- 5 Czar superseded the Grand Duke Nicholas in supreme command of the Russian Armies.
- 7 Russian counter-offensive in Galicia began.
- 21 M. Venizelos asked for British and French troops as condition of Greek intervention.
- 24 French and British Governments agreed to send troops to Greece.
- 25 Battle of Loos began.
- 27-28 Battle of Kut-el-Amara. Turks defeated.

October.

- 2 Bulgarians massing on Serbian frontier.
- 4 Entente Powers sent ultimatum to Bulgaria.
- 5 French and British forces landed at Salonika; King of Greece refused to support Venizelos, who resigned.
- 6 Final Austro-German attack on Serbia.
King of Greece asserted Greece would maintain neutrality, but Greek mobilization and Allied disembarkation at Salonika would proceed (policy of armed neutrality).
- 8 Belgrade taken by the Austrians.
- 12 Miss Edith Cavell shot in Brussels.
- 14 Bulgaria declared war on Serbia.
- 15 Great Britain declared "state of war" with Bulgaria.
- 16 France declared "state of war" with Bulgaria.
- 17 British Government offered Cyprus to Greece in exchange for her support to Serbia. Greece refused.
Japan declared adherence to the Pact of London.
- 22 Kumanovo and Uskub taken by Bulgarians. Germans 25 miles south of Belgrade.
- 30 M. Briand Premier and Foreign Minister of France.
- 31 Steel helmets issued to British on Western Front.

November.

- 2 Mr. Asquith declared Serbian independence to be an essential object of the War.
Port and Transit Executive Committee formed in Great Britain.
- 5 Bulgarians captured Nish.
- 10 Ship Licensing Committee formed in Great Britain.
Requisitioning (Carriage of Food-stuffs) Committee formed in Great Britain.
- 11 British advance on Baghdad began.
- 19 Agreement with Danish traders for restriction of supplies to Germany.
- 22 Battle of Ctesiphon (Mesopotamia) began.
- 25 British forces in Mesopotamia retreat on Kut. (Marshal Von der Goltz in command of Turks.)
Inter-Allied arrangements for organization of munitions.

Selected Chronology

1915.

December.

- 2 Serbian retreat through Albania began.
Allied forces in Macedonia retreated into Greek territory
- 3 General Townshend in Kut after 90-mile retreat.
Mr. Ford's "Peace Mission" left U.S.A.
- 5 Siege of Kut began.
- 9 Allied War Council in Paris.
- 10 Evacuation of Suvla and Anzac began.
- 15 Resignation of Sir John French.
- 19 Appointment of Sir Douglas Haig as Commander-in-Chief of
British Armies in France.
- 20 Evacuation of Suvla and Anzac completed.
- 31 Cabinet debated "Compulsory Service." Resignation of Sir John
Simon.

1916.

January.

- 8 Evacuation of the Gallipoli Peninsula completed.
Price of home-grown wheat 55s. 8d. a quarter, compared with
46s. 2d. in 1915 and 30s. 11d. in 1913.
- 15 German raider *Moewe* started operations.
- 16 General Sarraill in command of all Allied forces in Salonika.
"Stop the War" demonstration broken up in North London.
- 19 War Council in London.
- 24 First British Military Service Bill passed in House of Commons.
- 26 Shipping Control Committee formed in Great Britain.
- 31 Price of the quartern loaf in London rose to 9½d.

February.

- 1 Striking of public clocks in London discontinued between sunset and
sunrise.
- 9 Serbian Government set up at Corfu.
- 10 German announcement that after March 1st defensively armed
merchantmen would be regarded as belligerents.
Military Service Act came into operation in Great Britain. Single
men from nineteen to thirty called up as from March 1st.
- 18 Conquest of the Cameroons by Entente forces.
- 21 Battle of Verdun began.
- 22 Tsar opened the Duma in Petrograd.
- 23 Ministry of Blockade formed in Great Britain.
- 29 Trading with the Enemy (Neutral Countries) Proclamation.

March.

- 4 The *Moewe* returned to Bremen.
- 9 Germany broke off relations with Portugal.
- 12 Resignation of Admiral von Tirpitz.
- 23 Portugal seized German steamers in the River Tagus.

Our Own Times

1916.

March.

- 27 Allied War Council in Paris on military, economic and diplomatic affairs.

April.

- 18 U.S. "Sussex" Note to Germany.
21 Sir Roger Casement landed in Ireland and was arrested.
24 Outbreak of rebellion in Ireland.
27 Married men from twenty-seven to thirty-five who had attested under Derby Scheme called up.
29 Capitulation of Kut (2970 British and about 6000 Indian troops).

May.

- 1 Collapse of Irish Rebellion. Leaders surrendered.
14 Austrian offensive in the Trentino began.
15 Sir Roger Casement on trial for high treason.
16 "Sykes-Picot" Agreement between French and British Governments as to partition of Asia Minor.
17 Air Board formed in Great Britain.
23 Mr. Asquith moved £300 million credit.
25 Second Military Service Act became law.
31 Battle of Jutland.

June.

- 3 End of Austrian offensive in the Trentino.
4 Russian offensive began.
5 Sherif of Mecca began revolt against Turkish rule.
H.M.S. *Hampshire* sunk—Lord Kitchener drowned.
6 "Pacific Blockade" of Greece by Entente Powers.
8 Second Compulsory Service Act came into operation in Great Britain.
12 Anti-Entente riots in Athens.
14 Allied Economic Conference reassembled in Paris.
Italian counter-offensive in the Trentino.
21 Entente Governments' Note to Greece demanding demobilization and change of government (accepted).
"Pacific Blockade" of Greece suspended.

July.

- 1 First Battle of the Somme (1916).
6 Russian offensive in Galicia.
7 Mr. Lloyd George Secretary for War.
8 British Order in Council rescinding Declaration of London of 1909.
10 German "commercial" submarine, *Deutschland*, arrived in U.S.A.
14 Inter-Allied Financial Conference in London.
28 U.S. Government protested against "Black List" policy of British Government.

Selected Chronology

1916.

August.

- 1 A licensing system for the supply of petrol came into operation.
- 3 Execution of Sir Roger Casement.
- 6 Italian offensive on Isonzo.
- 17 Military Convention signed at Bucharest between Entente and Rumania. Rumanian Government concluded agreement with Entente Powers regarding intervention.
- 21 Whistling for cabs in London prohibited between 10 p.m. and 7 a.m.
- 27 Italy declared war on Germany.
Rumania declared war on Austria-Hungary.
- 28 Germany declared war on Rumania.
- 29 Field-Marshal von Hindenburg appointed Chief of German General Staff.
- 30 Turkey declared war on Rumania.

September.

- 1 Bulgaria declared war on Rumania.
- 2 German and Bulgarian forces invaded the Dobrudja.
German ships in Piraeus Harbour seized by the Allies.
- 3 Raid by thirteen German airships on London. One destroyed.
- 4 Dar-es-Salaam (East Africa) surrendered to British forces.
- 15 Tanks first used in the Battle of the Somme.
- 19 Allied blockade of Greece renewed.
- 24 Venizelist revolution in Crete.
- 29 Greek Provisional Government under Venizelos at Salonika.

October.

- 10 Entente ultimatum to Greek Government demanding surrender of Greek fleet.
- 16 Price of quartern loaf in London reached 10d.
- 30 M. Briand Prime Minister of France.

November.

- 1 The increase in price of food since the beginning of the War estimated at 78 per cent.
- 3 Best wheat sold at Maidstone at 80s. a quarter.
- 5 Germany and Austria proclaimed an independent state of Poland.
- 6 Price of quartern loaf in London up to 10½d.
- 7 Woodrow Wilson re-elected President of U.S.A.
- 18 Battles of the Somme (1916) ended.
- 19 Monastir (Serbia) captured by Allied forces.
Entente Note to Greece demanding dismissal of Ministers of the Central Powers at Athens and surrender of Greek military material.
- 20 Price of *The Times* increased from 1d. to 1½d.

Our Own Times

1916.

November.

- 21 Death of Emperor Francis Joseph of Austria. Succeeded by Archduke Karl.
- 23 Venizelos Government declared war on Germany.
- 29 Admiral Beatty appointed Commander-in-Chief of the Grand Fleet.

December.

- 1 Greek Government refused Entente demands.
- 5 Athens terrorism : Venizelists murdered.
Resignation of Mr. Asquith.
Allied offensive in Serbia.
- 6 Bucharest surrendered to the Germans.
Mr. Lloyd George succeeded Mr. Asquith as Premier.
- 11 Allied Note to Greece demanding complete demobilization.
Lloyd George's Coalition Ministry formed in Great Britain.
Reorganization of French Government. M. Briand organized new War Cabinet.
- 12 German peace-proposals *via* U.S.A.
- 14 Allied ultimatum to Greece.
- 15 Greek Government accepted Allied ultimatum.
- 18 German peace-note received at Foreign Office.
- 20 President Wilson issued Circular Note suggesting negotiations for peace.
The Regulation of Meals Order (1916) limiting meals at public eating places to three courses between 6 and 9.30 p.m. and to two courses at any other time.
- 22 Formation of the Ministries of Food, Pensions and Shipping in Great Britain.
- 23 Controversy in Germany between Chancellor and High Command over extension of submarine campaign.
- 25 Dominion Premiers invited to special war conference.
- 26 Central Powers replied to American peace-note, suggesting immediate meeting of delegates.
Anglo-French Conference in London to discuss German and American peace-notes.
- 29 Scandinavian peace-note to belligerents.
Russian Duma prorogued. Rasputin murdered.
- 30 Entente Governments rejected German peace-proposals.

1917.

January.

- 5 Inter-Allied Conference at Rome.
- 9 Kaiser and Chancellor agree to extension of submarine campaign.
England to be brought to her knees by next harvest.
Battle of Kut (1917) began.

Selected Chronology

1917.

January.

- 10 Entente Governments sent outline of war aims in reply to President Wilson's Note.
- 11 Austrian and German Governments issued Note repudiating responsibility for continuance of war, and declaring they would prosecute the War to a successful end.
- 15 First meeting of Inter-Allied Chartering Executive.
- 19 Great explosion at munitions factory near London. Heavy loss of life.
- 31 Germany announced unrestricted submarine warfare. Orders given to sabotage German ships in U.S. ports.

February.

- 1 German unrestricted submarine warfare began.
- 3 U.S.A. severed diplomatic relations with Germany.
- 4 Wilson invited all neutrals to break with Germany.
- 13 Scandinavian Governments' joint protest against German submarine policy.
- 21 New British blockade order.
- 24 End of Battle of Kut (1917). Turkish Army routed. Kut recaptured.
- 27 President Wilson stated that he considered the sinking of *Laconia* the overt act for which he was waiting.
- 28 500,000 tons of shipping sunk by U-boats since February 1st.

March.

- 1 German proposals to Mexico for alliance against the U.S.A. published.
- 4 Bread-riots in Petrograd.
- 10 Riots in Petrograd following rationing order. Mutiny at Hel-singfors.
- 11 Baghdad taken by the British.
Allied offensive in Macedonia began.
- 12 Russian revolution began.
- 13 Germans retreated from the Somme to the Hindenburg line.
China severed diplomatic relations with Germany.
- 14 New Provisional Government proclaimed in Russia. Mutiny at Kronstadt.
- 15 Abdication of Nicholas II, Tsar of Russia, in favour of Grand Duke Michael.
- 19 Ribot Government formed in France.
- 20 First meeting of Imperial War Conference in London.
- 23 English wheat advanced to 90s. a quarter.
- 24 Provisional Government of Russia recognized by Great Britain, France, Italy, U.S.A., Rumania and Switzerland.
German raider *Moewe* returned to Kiel from second cruise.

Our Own Times

1917.

March.

- 26 Price of 4-lb. loaf raised to 1s. (double the pre-War price).
- 30 Russian Provisional Government guaranteed the independence of Poland.
- 31 600,000 tons of shipping sunk in March.
Anglo-French coal-convoy started.

April.

- 6 U.S.A. declared war on Germany.
- 7 Cuba declared war on Germany.
- 8 Austria broke with U.S.A.
- 9 Battles of Arras (1917) began.
Brazil and Bolivia broke with Germany.
- 13 Allied Naval Conference at Washington.
First All-Russian Soviet Congress.
- 15 French 1917 offensive began.
- 18 U.S. Emergency Fleet Corporation formed.
- 20 U.S.A. severed diplomatic relations with Turkey.
- 30 870,359 tons of shipping sunk in April.
Anglo-Scandinavian trade brought under convoy.

May.

- 1 Russian Provisional Government pledged itself to continue the War.
- 3 First U.S. destroyer flotilla arrived at Queenstown.
- 5 French and Venizelist advance in Macedonia.
- 6 Allied War Conference in Paris.
- 7 Battle of the Vardar began.
First aeroplane raid on London.
- 9 Petrograd Soviet Committee advocated Socialist peace conference.
- 15 Changes in French High Command. Petain Commander-in-Chief,
Foch Chief of Staff.
- 17 Admiralty Convoy Committee formed.
Conscription Bill passed in U.S.A. (500,000 men).
- 19 U.S. Government decided to send a Division of the U.S. Army to France at once.
- 20 Central Soviet Committee formed for all Russia.
- 22 The L.C.C. decided to suspend halfpenny tram fares.
Battle of the Vardar ended.
- 24 First homeward Atlantic convoy started.
- 25 Great aeroplane raid on S.E. England. 290 casualties.
- 30 Nearly 600,000 tons of shipping sunk in May.

June.

- 3 Italy proclaimed Protectorate over an independent Albania.
Russian appeal to all nations for peace with no annexations.
- 12 Abdication of King Constantine in accordance with Allied demand.

Selected Chronology

1917.

June.

- 25 First contingent of U.S. troops arrived in France.
- 26 Venizelos appointed Greek Premier at Athens. State of war began between Greece and Austria-Hungary and Greece and Turkey.

July.

- 7 Severe aeroplane raid on England (Margate and London ; casualties 250, mostly civilian).
- 8 U.S. embargo on food, metals and coal.
- 12 Debate on Mesopotamia Report. Resignation of Mr. Chamberlain.
- 17 British Royal House assumed the name of Windsor.
- 18 German offensive on the Eastern Front.
Insubordination in Russian Army.
- 19 Reorganization of British Cabinet.
- 23 Russian retreat on 150-mile front.
- 24 Canadian Conscription Bill passed.

August.

- 1 The Pope issued peace-proposals to the belligerent governments.
- 2 U.S. Senate adopted "Prohibition" Amendment.
First Battle of Ypres, 1917 (German "pill-boxes" used 16th).
- 11 Germans overran Rumania.
- 13 British Government refused passports to British Socialists who desired to attend unofficial peace conference at Stockholm.
China declared war on Germany and Austria-Hungary.
- 19 Eleventh Italian offensive on Isonzo front.
- 20 "Second Offensive Battle" of Verdun began.
British Government's pledge *re* constitutional reform in India.

September.

- 3 Riga captured by German forces.
- 9 Painlevé Government in France.
- 10 M. Kerensky assumed dictatorship of Russia.
- 15 Russia proclaimed a Republic by the Provisional Government.

October.

- 4 British victory at Passchendaele.
- 5 Peru and Uruguay broke off relations with Germany.
- 19 Squadron of eleven German airships attacked England. (Last airship raid on London.)
U.S. announced conditional supplies to Holland and Scandinavia.
- 24 Austro-German offensive on Isonzo.
- 27 Third Battle of Gaza began.
- 29 Signor Orlando became Italian Premier following Caporetto disasters.

November.

- 2 Ishii-Lansing Agreement *re* Japanese interests in the Far East.
Balfour Declaration *re* Palestine.
- 3 Arrival of French and British troops in Italy announced.

Our Own Times

1917.

November.

- 6 Passchendaele captured by Canadian forces.
- 7 Third Battle of Gaza ended. British victory.
- 8 Bolshevik *coup d'état* in Petrograd. M. Lenin and M. Trotsky assumed power.
- 9 Allied Conference at Rapallo. Creation of Supreme Allied Council.
- 10 Second Battle of Passchendaele ended, and Battles of Ypres (1917) ended.
- 11 Austro-German forces reached the Piave.
- 13 Further British advance in Palestine.
- 14 M. Kerensky fled from Petrograd.
- 15 Bolsheviks proclaimed right of Russian peoples to self-determination.
- 16 M. Clémenceau appointed French Premier and War Minister.
- 20 Battle of Cambrai, 1917, began.
- 24 Publication in Bolshevik *Izvestia* of secret agreements.
- 30 The German counter-attacks at Cambrai began.
Britain and U.S. decided to lay Northern Barrage—Scotland to Norway.

December.

- 2 Suspension of hostilities between the Russian and German Armies.
- 3 Battle of Cambrai, 1917, ended.
- 4 Supreme Allied Naval Council formed.
- 6 Finland declared independence.
United States Battleship Division, under Rear-Admiral Rodman, joins Grand Fleet at Scapa Flow.
- 7 United States of America declared war on Austria-Hungary.
- 8 All hostilities on the Eastern Front suspended.
- 9 Jerusalem surrendered to British forces.
Armistice between Rumania and Central Powers.
- 15 Allied War Council at Versailles established.
Armistice for one month on Eastern Front signed at Brest-Litovsk.
Separation of Church and State in Russia: constituent assembly dispersed by Bolsheviks.
- 22 Russo-German peace negotiations began.

1918.

January.

- 2 Allied Maritime Transport Council formed.
Air Ministry formed in Great Britain.
- 4 Soviet Government recognized Finnish Independence.
- 5 Mr. Lloyd George restates Allied War Aims.
- 8 President Wilson delivered Message to Congress laying down the "Fourteen Points."
- 11 Esthonia and Latvia declared their independence.
- 15 Food strikes in Vienna.
- 29 Helsingfors (Finland) occupied by Red guards.

Selected Chronology

1918.

February.

- 1 Central Powers recognized the Ukraine Republic.
- 9 Peace between Central Powers and Ukraine. One million tons of foodstuffs secured by Central Powers.
- 11 President Wilson delivered Message to Congress laying down "Four Principles."
- 18 Armistice on Eastern Front expired: hostilities resumed.
- 21 Jericho taken by British forces: victory of Emir Feisal at Tafle (26th).
- 25 First London Rationing Order.
- 28 Strikes in Berlin, Hamburg and Kiel.

March.

- 3 Peace signed between Bolshevik Russia and Central Powers, Bulgaria and Turkey at Brest-Litovsk.
- 5 Preliminary treaty of peace between Rumania and the Central Powers, Bulgaria and Turkey signed at Buftea.
- 7 Treaty signed at Berlin between Germany and Finland.
- 13 Odessa occupied by German forces.
- 18 Blockade agreement between Holland and Entente—food in exchange for shipping.
Entente Governments refused to recognize Russo-German Peace Treaty.
- 20 It was announced that over 6,000,000 tons of shipping had been sunk in twelve months.
- 21 Great German offensive began.
- 23 Paris first shelled by long-range gun from Crépy-en-Valois, 75 miles distant.
- 26 "Doullens Agreement" concluded. Decision to appoint General Foch as Commander-in-Chief of Allied Armies.
- 31 End of "the Kaiser's battle." Germans claimed 75,000 prisoners and 1000 guns.

April.

- 5 End of first Battles of the Somme (1918).
Japanese and British marines landed at Vladivostok.
- 7 Arabs under Emir Feisal occupied Turkish headquarters at Kerak; had cleared 800 miles of Red Sea coast.
- 9 Battles of the Lys began.
- 11 Field-Marshal Sir Douglas Haig issued Order of the Day "with our backs to the wall, and believing in the justice of our cause, each one of us must fight on to the end."
- 13 German Baltic division entered Helsingfors.
- 16 Passchendaele reoccupied by German forces.
- 18 British Military Service Bill passed.
- 22 Montagu-Chelmsford Report on India.
- 23 Blocking raid by British naval light forces on Ostend and Zeebrugge.
Guatemala declared war on Germany.
- 29 End of the Battles of the Lys.

Our Own Times

1918.

May.

- 7 Peace between Rumania and Central Powers signed at Bucharest.
- 18 First British retaliatory air raid on German towns. Cologne bombarded by day.
- 19 Thirty-second and last German air raid on London.
- 23 Mr. Lloyd George announced that Allies were sinking U-boats faster than Germany could build them: and building ships faster than Germany could sink them.
- 27 Battle of the Aisne (1918) ("Third Battle of the Aisne"), began.
- 31 German forces reached the Marne. Château-Thierry and Dormans captured.

June.

- 3 Entente Governments supported national aspirations of Poles, Czechoslovaks, and Jugoslavs.
- 6 Battle of the Aisne (1918) ended.
- 14 German offensive at a standstill.
- 17 Austrian offensive in Piave failed. Bread-riots in Vienna.
- 23 Italian offensive on Piave began.

July.

- 12 Allied expedition to Murman Coast to defend rail-head against Germans from Finland.
- 13 Irkutsk (Siberia) occupied by Czechoslovakian forces.
- 15 German offensive resumed. Second Battle of the Marne.
- 16 Murder of the Tsar and his family at Ekaterinberg.
- 18 Allied offensive began.
- 20 German forces retreated across the Marne.

August.

- 3 British troops landed at Archangel and Vladivostok.
- 4 British force arrived at Baku (Caspian Sea).
- 6 British Government issued Declaration to Russian peoples, stating that they had no intention of interfering in Russian politics.
- 8 Allied offensive. Battle of Amiens. "The Black Day of the German Army."—Ludendorff.
- 13 The Czechoslovaks recognized as an Allied nation.
- 18 British advance in Flanders began.
- 21-September 3 Second Battles of the Somme (1918). British artillery fired average of 11,000 tons of ammunition a day.
- 26-September 3 Second Battles of Arras (1918).

September.

- 4 United States contingent landed at Murmansk to join Allied Expeditionary Force.
- 6 German retreat from the Somme.
- 12 Battles of the Hindenburg Line began.

Selected Chronology

1918.

September.

- 15 Allied offensive against Bulgarians began in Macedonia. Advance on 22-mile front.
Franco-American attack on 40-mile front.
- 19 British offensive in Palestine on 16-mile front began.
- 24 German G.H.Q. informed Government that armistice negotiations were inevitable.
- 26 Battle of Champagne and Argonne. Franco-American attack on 40-mile front.
- 27 Hindenburg line broken.
Bulgarian Government asked Entente Powers for an armistice.
- 28 Anglo-Belgian attack under King Albert. Flanders Ridge.
- 29 Messines retaken by British forces.
Battle of the St. Quentin Canal began.
German force in East Africa recrossed the Rovuma and again entered German territory.
- 30 Armistice between Bulgaria and Entente Powers signed.
French captured Uskub (Macedonia).

October.

- 1 Evacuation of Flanders coast and U-boat base.
Damascus taken by British and Arab forces.
Over 250,000 prisoners taken by Allies since July 15th.
- 3 Battles of the St. Quentin Canal and Ypres ended.
Emir Feisal entered Damascus.
Prince Max of Baden appointed German Imperial Chancellor.
- 4 German and Austro-Hungarian Governments sent Notes to President Wilson proposing an armistice.
King Ferdinand of Bulgaria abdicated in favour of his son Prince Boris.
- 7 Emir Feisal proclaimed independent state of Syria.
- 8 Battle of Cambrai, 1918, began.
End of Battle of Cambrai brought Battles of Hindenburg Line to a close.
President Wilson demanded German capitulation.
- 12 British Government recognized the Polish National Army as autonomous, allied and co-belligerent.
- 14 British troops from Vladivostok reached Irkutsk (Siberia).
- 16 Austrian Emperor issued manifesto proclaiming a Federal State on the principle of Nationality.
- 17 Ostend, Lille and Douai retaken by Allied forces.
- 19 Zeebrugge and Bruges reoccupied by Belgian forces.
- 20 Belgian coast completely reoccupied by Allied forces.
- 24 Battle of Vittorio Veneto began. Anglo-Italian offensive.
- 26 Aleppo (Syria) taken by British forces.
- 27 Czechoslovaks declared independence.
- 28 Austrian Government asked for an armistice.

Our Own Times

1918.

October.

- 28 General von Ludendorff resigned.
- 29 Yugoslav independence proclaimed.
Mutiny in German Fleet at Kiel.
- 30 Armistice between Turkey and Entente Powers signed at Mudros.
- 31 Hostilities between Entente and Turkey ceased at 12 noon.
Revolutions in Vienna and Budapest. Austria and Hungary proclaim independence.

November.

- 1 Allied Conference at Versailles.
- 4 Armistice between Austria-Hungary and the Entente signed.
Trieste occupied by Italian forces.
Red flag hoisted on all German warships at Kiel.
Allied armistice proposals sent to President Wilson.
- 5 President Wilson forwarded Allied terms to Germany. Marshal Foch as plenipotentiary.
- 7 Bavaria proclaimed a Republic.
German armistice delegates arrived in French lines.
- 9 Revolution broke out in Berlin: abdication of the Kaiser: Republics proclaimed: Herr Ebert (Socialist), German Chancellor.
- 10 The Kaiser crossed the frontier into Holland.
Rumanian ultimatum to Mackensen demanded immediate evacuation.
- 11 ¹ Armistice concluded between the Allies and Associated Powers and Germany. Hostilities on the Western Front ceased at 11 a.m.
- 12 Marshal Foch's Message to the Allied Armies.
The Emperor of Austria abdicated.
- 13 Allied fleet arrived at Constantinople.
Abdication of German Kings and Princes.
- 14 Hostilities in East Africa ceased.
- 17 Allied armies began march to the Rhine.
- 18 President Wilson to attend Peace Conference.

¹ *Selected Statistics (1914-1918)*

- (a) Strength of British Empire Armies, November 1918, was 193,102 officers, 5,144,841 other ranks.
- (b) Total British Empire Army casualties (approximately): Killed (including missing), 46,000 officers, 960,000 other ranks.
- (c) Civilians killed by air-raids in England: Approximately 1400.
- (d) French Army: Killed, 1,383,000 (including 66,000 native troops).
- (e) Russian Army: Killed (approximately), 1 $\frac{3}{4}$ million from 1914-1917.
- (f) Italian Army: Killed (approximately), 500,000.
- (g) U.S.A. Army: Killed (approximately), 55,000.
- (h) Germany: Killed and missing, 2 $\frac{1}{2}$ million.
- (i) Austria-Hungary: Killed (approximately), 1,132,500.

Very approximate financial cost of War has been estimated at about £40,000,000,000.

Selected Chronology

1918.

November.

- 19 Metz occupied by French forces.
- 21 German High Seas Fleet arrived at Rosyth *en route* for internment in Scapa Flow.
- 22 Belgian Government reinstated at Brussels.
- 25 Parliament dissolved.
- 27 French armies on German frontier.

December.

- 1 Allied Conference in London on Peace preliminaries.
- 4 Yugoslav National Council at Agram proclaimed the union of all Serbs, Croats, and Slovenes in one State.
- 6 Cologne entered by British troops.
- 7 Marshal Foch announced that blockade must remain in force.
- 9 Serbian Government reinstated at Belgrade.
President Poincaré took formal possession of Strasbourg (Alsace-Lorraine).
- 11 Americans entered Coblenz.
- 14 General (Khaki) Election. Coalition majority.
- 16 President Wilson received Freedom of Paris.
- 26 President Wilson arrived in England.

1919.

January.

- 2 Bolsheviks occupied Riga.
- 3 President Wilson visited Rome.
- 5 Spartacist riots in Berlin began.
- 7 Demonstration in Whitehall of soldiers anxious for demobilization.
President Wilson returned to Paris.
- 9 Supreme Council for Supply and Relief set up.
- 11 Bolshevik invasions approached East Prussia.
- 13 Spartacist rising in Berlin crushed.
- 15 Karl Liebknecht and Rosa Luxemburg, Socialist leaders, killed in Berlin.
M. Paderewski Prime Minister of Poland.
- 16 Armistice Convention at Trèves extending armistice till February 17th.
- 18 First meeting of the Peace Conference at Paris.
Close of subscriptions to National War Bonds: total over £1,600 million.
- 19 Polling for the National Assembly in Germany. Victory for moderate Socialists and Democrats.
- 22 Peace Conference approved President Wilson's proposals that Allies should meet Russians at Prinkipo to seek basis of agreement.

Our Own Times

1919.

January.

- 22 Meeting of "Irish Republican Parliament" at Dublin Mansion House.
- 25 Commission on the League of Nations appointed by the Peace Conference.
- 27 Japanese claims presented to Peace Conference.
- 28 Chinese statement to the Peace Conference.
- 29 Riots in Glasgow.
- 30 Anglo-French discussions on the "Sykes-Picot" Agreement.
- 31 Electrical Trades Union threatened general strike on February 6th. Special regulation under D.O.R.A. issued.

February.

- 3-4 Greece claimed Smyrna zone.
- 5 Trade Union Congress opened at Berne.
- 6 Emir Feisal stated the Arab case at the Peace Conference. German National Assembly opened at Weimar.
- 8 Mr. Lloyd George returned to London. Anti-Prinkipo agitation. Establishment of Supreme Economic Council.
- 11 New Parliament opened by the King. Herr Ebert elected First President of the German Republic.
- 12 Polish Commission appointed.
- 13 Central Syrian Council appeared before Peace Conference. Labour Party moved amendment to the Address regretting omission of proposals for dealing with industrial unrest.
- 14 Draft of League Covenant presented to Peace Conference.
- 18 Mr. Bullitt to proceed to Russia to discuss Prinkipo meeting.
- 19 M. Clémenceau attacked and wounded by a French anarchist.
- 21 Suspension of orders regulating sale of tea announced. Herr Kurt Eisner (Bavaria) murdered. Civil War in Bavaria.
- 24 President Wilson arrived in U.S.A. from Europe.
- 27 Confidential meeting between President and Foreign Relations Committee at White House. Joint Industrial Conference held at Westminster. Minister of Labour in the Chair.

March.

- 4 Riots in Canadian camp at Kenmel Park—slowness of demobilization. President Wilson, supported by ex-President Taft (Republican), spoke on Peace Treaty at New York Opera House. Republican Senators passed "round robin" in favour of settlement with Germany preceding formation of League of Nations—and that U.S.A. should not sign Covenant as it stood at present.
- 8 General Plumer's appeal for relief for W. Germany.
- 9 Deportation of Zaglul Pasha: riots in Cairo.
- 14 Provisional terms drafted by Soviet leaders. President Wilson back in Paris.

Selected Chronology

1919.

March.

- 19 Indian delegation to Mr. Lloyd George *re* position of Caliphate under Turkish treaty.
- 20 Meeting of the Supreme Council. Question of Syria discussed. Wireless telephone communication between Ireland and Canada started.
- 22 Soviet Government under Bela Kun established in Budapest.
- 24 "Council of Four" established.
- 25 Lord Allenby "Special High Commissioner" for Egypt.

April.

- 1-5 General Smuts's Mission to Budapest.
- 2 British farmers guaranteed 71s. 11d. per quarter for 1919 wheat.
- 4 Joint Industrial Conference at Westminster considered proposals for 48-hour week, etc.
Bavarian Soviet seized Parliament House in Munich.
- 8 Telegram from 370 M.P.s sent to Mr. Lloyd George on indemnity question.
- 9 Further telegram from 200 M.P.s *re* non-recognition of Bolshevik Russia.
- 10-13 Rioting at Amritsar: troops fire on crowd, 400 killed.
- 16 Mr. Lloyd George's statement in the House *re* Bullitt mission.
General von der Goltz overthrew Provisional Government of Latvia.
- 22 Japanese claims heard by Council of Three.
- 23 President Wilson's Manifesto *re* Fiume.
- 24 Italian delegation left Paris.
- 25 China demanded reversion of German rights in Shantung.
- 28 Covenant of the League of Nations unanimously adopted by Peace Conference.
Baltic Commission appointed.
- 30 Press censorship in Great Britain ended.
Shantung decision in favour of Japan.

May.

- 1 Civilian flying permitted.
Viceroy of India informed His Majesty's Government of strength of Moslem feeling about Constantinople.
Soviet Government in Bavaria overthrown.
- 5 Italian delegates returned to Paris.
- 6 British recognition of Finnish Independence.
China gave notice of reservations as to Shantung provision of the Treaty.
- 7 Supreme Council selected Mandatories for German colonies.
Draft Treaty presented to Germany.
- 8 Afghan raid into India. Frontier fighting began.
- 15 Under authorization of Supreme Council, Greece occupied Smyrna.

Our Own Times

1919.

May.

- 19 Congress met after " off-year " elections. Republican majority in both Houses.
- 22 General von der Goltz recaptured Riga from Bolsheviks.
- 24 British air raid on Kabul.
- 27 British Relief Force at Archangel.
- 29 German counter-proposals submitted to Allies.

June.

- 4 New Commission for Germany's Eastern frontiers.
- 10 Senator Knox's resolution advocating separation of Covenant and Treaty.
- 14 Captain Alcock and Lieutenant Whitten Brown flew the Atlantic for the first time. (Time: 16 hours 12 minutes. Won the *Daily Mail* £10,000 prize.)
- 16 Allied reply to German observations on the Treaty.
- 20 Fall of Scheidemann Cabinet and resignation of Brockdorff-Rantzau. Bauer Cabinet formed.
Reports of the Sankey Commission on the Coal Industry issued.
- 21 German fleet scuttled at Scapa Flow.
- 24 Chinese delegation informed that reservations to the Treaty were not permissible.
- 25 T.U.C. Conference, attended by representatives from France, Italy and India, demanded cessation of Allied activities in Russia.
- 27 U.S.A. refused to accept mandate for Constantinople.
- 28 Peace Treaty and Protocols signed at Versailles at 3 o'clock.
Franco-British and Franco-American Treaties—as guarantees for the Treaty of Peace—signed in Paris.
- 29 Lloyd George returned to England, Wilson to U.S.A.

July.

- 1 Supreme Council of the Peace Conference became Council of Five.
Prohibition came into force in U.S.A.
- 3 Prime Minister announced that the Kaiser was to be tried in London.
Armistice between Esthonian and German troops. Germans left Riga.
- 4 R34 landed in U.S.A. after crossing Atlantic in 108 hours.
Mutiny at Archangel.
- 6 Riots in Italy due to high prices.
- 9 Peace Treaty ratified by Germany.
- 10 President Wilson laid the Peace Treaty before the Senate.
- 12 Blockade of Germany raised.
- 14 Victory march in Paris.
- 16-17 Spanish fighting with Raisuli in Morocco.
- 18 Result of Victory Loan. £708 million.
- 19 Victory march in London.

Selected Chronology

1919.

July.

- 21 Debate in the House of Commons on Peace Treaty and on Irish Bill.
Coal retail price raised by 6s. a ton.
- 22 Report of Baltic Commission on neutrality of Åland Islands.
- 31 Police Union Strike.
Average daily expenditure April-July, £4,442,000. Agitation against "squandermania."

August.

- 1 Fall of Bela Kun. Socialist Democratic Cabinet formed in Budapest.
Poland ratified Peace Treaty and Minorities Treaty.
- 2 Japanese Declaration respecting Shantung.
- 4 Occupation of Budapest by Rumanians. Blockade of Hungary raised.
- 6 Rumanians defied Inter-Allied Armistice Commission.
- 8 Peace between the Government of India and Afghanistan.
- 9 Anglo-Persian Agreement signed. Note from Supreme Council.
- 11 Constitution of German Republic promulgated by National Assembly at Weimar.
- 13 Rumanian Government replied to Supreme Council on action in Hungary.
New Coalition Cabinet in Hungary.
- 18 Treasury removed restrictions on export of capital.
Rising of Poles against Germans in Silesia.
British victory over Bolshevik naval force in Gulf of Finland.
- 20 Dollar-sterling exchange rate \$4.11 = £1.
- 23 Resignation of Archduke Joseph and his government owing to refusal of Supreme Council's recognition.
"Huge Government Staffs," 407,000.
Second Note of Supreme Council to Rumania *re* Hungary.
- 28 Winter milk expected to cost 1s. a quart. (Higher than in war-time.)
Death of General Botha.
- 29 "Whitehall purge" began.
- 30 British air-raid on Kronstadt.

September.

- 1 Imperial Preference on tea, coffee, motor-cars, etc., in force.
Quartern loaf 9½d.
Embargo on trade with enemy countries lifted.
- 2 Supreme Council gave Germany notice to suppress Article 61 of German Constitution which provided for admission of Austrian deputies to German Imperial Council.
- 3 President Wilson started on his tour on behalf of the League of Nations.
General Smuts became Prime Minister of South Africa.

Our Own Times

1919.

September.

- 10 Peace Treaty with Austria signed at St. Germain. Jugoslavs and Rumanians abstained.
Trade Unions Congress voted for nationalization of mines.
- 12 Canada and South Africa ratified Peace Treaty.
Dail Eireann suppressed.
D'Annunzio with Storm Troops entered Fiume.
- 15 Allies decided to evacuate Russia.
- 26 President Wilson's tour abandoned owing to ill-health.
Archangel evacuated.
Railway strike. Government appeal to "fight for the life of the community."
- 27 New Rationing Orders: state of emergency declared.
- 29 Note of Allied and Associated Governments to Germany—to observe Article XII of the Armistice and withdraw troops from Austria-Hungary, Rumania, Turkey and Russia.

October.

- 2 Australia ratified Peace Treaty.
- 4 End of railway strike.
- 7 Italy ratified Peace Treaties with Germany and Austria.
- 10 King George V ratified Peace Treaty.
Riga attacked by Germans. Violation of Treaty of Versailles.
- 13 France and Belgium ratified Peace Treaty.
Thirteen Allied Powers signed International Aerial Navigation Convention in Paris.
U.S. Senate rejected Shantung Amendment to Peace Treaty.
- 25 Austria ratified St. Germain Treaty.
- 27 Prime Minister reconstructed the Cabinet.
- 28 Supreme Council appointed Inter-Allied Military Commission to control evacuation of Baltic Provinces by German troops.
Bar silver 66½d. per ounce in London. Silver coins worth face value as metal.
Anticipated Budget deficit of nearly £500 million. Economy demanded.
- 29 First International Labour Conference met at Washington.
- 30 International Labour Conference decided to admit German and Austrian delegates.

November.

- 3 White Paper issued which gave £79,830,000 as sum expended on naval and military operations in Russia (November 11th, 1918, to October 31st, 1919).
- 4 "Fight the Famine" Council met. German and Austrian delegates present.
- 6 Bank rate raised to 6 per cent.
- 8 Lloyd George's Guildhall Speech. Proposal to make terms with Soviet Russia.

Selected Chronology

1919.

November.

- 8 *Daily Herald* published Lenin's proposals for peace—transmitted by Colonel Malone, M.P.
- 10 London-Paris air mail opened.
President Poincaré paid state visit to London.
- 13 U.S. Government declared its refusal to confer with Russia.
Hungarians evacuated Budapest.
U.S. Senate adopted (by 46 votes to 33) reservation to Article X of the Covenant of the League.
D'Annunzio's raid on Zara.
- 15 Bolsheviks captured Omsk, the seat of Koltchak's Government.
Egyptian Cabinet resigned as result of Milner Mission. Riots in Cairo.
- 19 Report of Joint Select Committee on the Government of India Bill issued. Diarchial Plan.
Swiss Federal Parliament decided in favour of Switzerland joining the League.
U.S. Senate rejected Peace Treaty for the first time.
- 22 Note of Supreme Council to Germany that ratification of Peace must be signed within a week.
- 23 New Cabinet at Cairo under Yussuf Wahba Pasha.
- 26 Proclamation suppressing Sinn Fein and kindred organizations.
- 27 Peace between Allies and Bulgaria signed at Neuilly. Jugoslavs and Rumanians abstained.
- 28 Einstein's article in *The Times* on his "Theory of Relativity."
Lady Astor won by-election at Plymouth. First woman M.P.

December.

- 5 Jugoslavs signed Austrian and Bulgarian Treaties.
- 8 "Curzon Line" fixed by Supreme Council as provisional Polish frontier.
Alsace-Lorraine deputies took their seat in the Chamber.
Supreme Council's Note to Germany on delay in ratification of the Peace Treaty and measures to be taken if Armistice is denounced.
- 9 Issue of Report of Advisory Committee on Civil Aviation.
- 10 Rumania signed Austrian, Bulgarian and Minorities Treaties.
Ross Smith completed his flight from Great Britain to Australia.
Soviet Russia made formal offer of peace to the Allied Powers.
Notes containing formal offer returned to M. Litvinoff.
- 13 M. Paderewski resigned.
- 19 Attempt on life of Lord French in Dublin.
- 23 Supreme Council insisted on Germany's signature of Protocol to Peace Treaty.
Royal Assent to Government of India Act, 1919.
Proclamation of the King to the Princes and people of India.
Koltchak in retreat in Siberia.

Our Own Times

1919.

December.

- 27 Air Ministry announced opening of All-British air route, Cape to Cairo.
- 29 Submission of the Mahsuds on North-West Frontier.

1920.

January.

- 5 Poles took Dvinsk from Bolsheviks.
- 6 Bolsheviks broke through Denikin's army and reached Sea of Azov.
- 9 Koltchak's armies surrendered.
- 10 Peace Treaty ratified by principal Allied Powers and Germany. Treaty came into force.
M. Clémenceau, President of Peace Conference, sent telegram to neutrals asking for their adherence to the League of Nations.
Mandatory system came into effective legal being.
- 14 Revised proposals *re* Fiume handed to Jugoslavs.
List of German War criminals settled. Kaiser to be tried.
- 15 Allies made official demand to the Netherlands for the extradition of the Kaiser.
Bankers' memorial on financial situation : international conference urged.
- 16 Peace terms submitted to Hungary.
First meeting of the Council of the League of Nations in Paris—invitations having been sent by President Wilson.
Supreme Council decided to allow resumption of trade with Russia.
- 18 Clémenceau Cabinet resigned. New Cabinet under M. Millerand.
French took possession of Saar coal mines.
Fighting reported between French and Arabs in Syria.
- 20 Yugoslav Government refused Supreme Council's proposal for settlement of Adriatic question.
- 23 U.S.A. during 1919 had favourable trade balance of £850 million.
World owed U.S.A. £2,306 million.
- 25 Dublin Castle offered reward of £10,000 for information *re* persons guilty of murders of fourteen police officers.
German Government offered to try persons accused as War criminals before German Supreme Court at Leipzig.
- 26 Governing Body of The International Labour Organization met.
- 27 Netherlands Government refused to give up the Kaiser.
- 28 Turkish National Pact.
- 29 Manifesto of Trades Union Officials and Labour on Peace with Russia.
- 31 Arrest of Sinn Fein leaders.
Lord Grey's letter to *The Times* on America and the League.

Selected Chronology

1920.

February.

- 2 Rupee fixed at 2s.
- 3 Further fall in the £. \$3.36.
- 4 Conference of Ambassadors issued declaration refusing to recognize Hapsburg restoration in Hungary.
- 6 Petrol 8d. a gallon dearer.
- 7 Admiral Koltchak and his Prime Minister shot at Irkutsk by Bolsheviks.
- 10 Hungarian Note to Peace Conference on conditions of the Peace. Note of President Wilson to the Allies on the Adriatic question.
- 11 League Council met in London. Government replied to the bankers' memorial on the financial situation.
- 12 Supreme Allied Council met in London.
- 16 Note of Supreme Allied Council to Germany agreeing to proposals for trial.
- 17 Report of massacre of 7000 Armenians by Turks. Army Estimates for 1920-21—£125,000,000. 1914—£28,845,000.
- 18 Official announcement that the Allies had decided not to deprive Turkey of Constantinople.
- 23 Allies decided to propose selected cases of War criminals to the Germans for trial at Leipzig.
- 24 Supreme Council's change of policy towards Russia: border states advised not to continue war, but Allies would support them if Russia infringed their new frontiers.
- 25 Home Rule Bill introduced in House of Commons.
- 26 Governing Commission of the Saar constituted. Franco-British reply to President Wilson's Note on the Adriatic question.

March.

- 8 Government decision on flour prices: 4 lb. loaf to be 1s. after April 12th.
- 10 Supreme Council decided to reject proposal to modify frontiers of Hungary as fixed by Peace Treaty. Congress of Syrian notables offered Crown of Syria and Palestine to Emir Feisal.
- 13 Militarist revolution in Germany. Kapp putsch.
- 15 Emir Feisal accepted Crown of Syria. French and British Governments repudiated the action of Arab Congress. General Strike in Germany.
- 16 Constantinople occupied by Allied troops. Kemalists expelled.
- 17 Suppression of Kapp Revolution. Ebert Ministry returned to Berlin.
- 19 U.S. Senate finally rejected the Peace Treaty. German Government sought permission to send troops into the Ruhr to suppress Communist rising.

Our Own Times

1920.

March.

- 20 Lord Mayor of Cork murdered.
Milner Mission left Egypt.
- 22 Hungarian Order in Council establishes monarchy as constitutional form of government.
- 24 New German Cabinet of Social Democrats and Centre Party.
Armistice concluded between Government and Red rulers of Westphalia.
- 25 Reds held out in West Germany.
- 26 Bauer Ministry fell in Berlin. Herr Müller formed new Cabinet.
- 27 Novorossiysk captured by Bolsheviks. British Navy secured evacuation of Denikin's troops. Denikin retired to the Crimea.

April.

- 3 Reichswehr advanced into the Ruhr in contravention of the Peace Treaty. France demanded immediate withdrawal.
- 4 Incendiarism in Dublin. Cordon of troops round city.
- 6 French occupied Frankfurt, Hanau and Darmstadt.
Reichswehr occupied Essen.
New Cabinet in Turkey. Sultan gave it free hand to deal with Mustafa Kemal.
- 7 Denikin handed over Crimean command to Wrangel.
- 9-11 Exchange of Notes between French and British Governments *re* France's independent action in the Ruhr.
- 12 Belgian contingent went to Frankfurt.
General Strike in Ireland. Government refused to release hunger-strikers in Mountjoy Prison.
- 14 Irish hunger-strikers released.
- 17 French withdrew from Ruhr.
Index figure of cost of living fell from 135 in February to 132.
- 19 Supreme Council met at San Remo. Framework of Treaty of Sèvres agreed upon.
- 21 German demand to the Supreme Council for increase in army.
- 23 Turkish National Assembly met at Angora.
- 25 San Remo Conference assigned Mandates for Mesopotamia and Palestine to Britain, and for Syria to France.
Anglo-French Oil Agreement.
Polish offensive against Russia.
- 26 Allied Note to Germany requesting her to submit proposals for reparation to an Allied Conference and refusing request *re* increase in her army.
Supreme Council authorized Supreme Economic Council to arrange for resumption of trade with Russia.
- 28 Defeat of Bolsheviks on Crimean front by Wrangel's forces.
Coup d'état in Azerbaijan. Baku occupied by Bolsheviks.

Selected Chronology

1920.

May.

- 7 Chancellor of Exchequer gave £1, 11s. as *per capita* direct taxation in 1914 and £14, 7s. in 1920-21.
- 8 Poles took Kiev.
- 11 Text of Turkish Treaty handed to Ottoman Delegates.
- 14 League Council met in Rome.
Sugar to be 1s. 3d. per lb.
- 16 Committee of Experts appointed to determine German reparation payments.
Franco-British agreement on interdependence of Allied debts and reparation payments.
- 18 M. Poincaré resigned as President of Reparation Commission.
Opposition to fixed indemnity from Germany.
- 19 League Council appointed Permanent Advisory Commission on Armaments (P.A.C.).
- 22 China declined to negotiate with Japan on the question of Shantung on basis of Versailles Treaty.
- 31 Russian trade delegation under M. Krassin opened negotiations in London.

June.

- 4 Hungarian Peace Treaty signed at the Grand Trianon.
- 7 Negotiations between Zaghul Pasha and Milner Mission began in London.
- 8 U.S.A. raised embargo on trade with Russia.
- 9 Bolsheviks occupied Resht in Persia.
- 11 Bolsheviks recaptured Kiev.
- 13 Decision to decontrol price of home-grown wheat. Farmers to sell at same price as foreign wheat.
- 14 League Council met in London. Received request of Persia for intervention in regard to invasion by Bolsheviks.
- 15 Commission of Jurists to prepare Statute of Court of International Justice met at The Hague.
- 16 Action between British forces on Ismid front with Nationalists of Kemal.
- 19 British warships ordered to Constantinople; also battalion of Essex regiment.
Conference at Hythe. Allies accepted Greek proposal to intervene in Straits.
- 20 His Majesty's Government announced Mesopotamia to be an independent State.
- 21 Conference at Boulogne. Disarmament and reparation discussed.
- 22 British troops blew up Dardanelles guns.
- 23 Greek offensive from Smyrna against the Turks began.
- 25 The Hague to be the seat of the Permanent Court of International Justice.
- 27 British naval forces occupied Mudania on Sea of Marmora.

Our Own Times

1920.

June.

- 28 Greeks landed at the Dardanelles to operate from there.
- 30 British Note to Russia. Conditions upon which trade will be resumed. Agreement outlined.

July.

- 2 Arab rising in Iraq began: suppressed December 1920.
- 4 Agreement reached at Brussels by Allies as to the division of reparation payments.
- 5 Slesvig Treaty signed in Paris. Slesvig as result of plebiscites divided between Denmark and Germany.
- Spa Conference opened.
- 6 British Institute of International Affairs founded.
- 7 Russian Government agreed to terms of British Note of June 30th for resumption of trade.
- 8 Terms for disarmament presented to Germany at Spa.
- 9 Germans signed Protocol referring to disarmament.
- 11 Allied Note to Soviet Russia and Poland, proposing that Poles should retire behind "Curzon line" and peace conference be convoked.
- 12 Lithuania signed Treaty of Peace with Soviet Russia. Lithuania to have Vilna.
- 14 French sent Ultimatum to Emir Feisal demanding acceptance of French Mandate for Syria.
- 15 French marched on Damascus and Aleppo.
- 16 Germans agreed to Allies' conditions respecting surrender of coal. Reparation Agreement signed by British Empire, France, Italy, Japan, Belgium and Portugal.
- 17 Russia rejected Allied proposal, but suggested direct negotiations with Poland.
- 19 Allied Ultimatum to Turkey demanding signature of peace treaty.
- 23 Russians threatening Warsaw. Poles asked for armistice.
- 25 Greeks occupied Adrianople.
- French occupied Damascus.
- 28 Conference of Ambassadors made decision on Teschen question.

August.

- 3-5 First meeting of P.A.C. on Disarmament.
- 4 Pound worth 14s. 9d. in New York.
- 5 German legislation *re* disarmament passed the Reichstag.
- 8 Conference at Hythe on Russo-Polish war.
- 10 Treaty of Sèvres signed with Constantinople Government. Straits to be internationalized. Greece to have Smyrna for five years. Treaty of Sèvres between Austria and Succession States.
- 11 Treaty of Riga between U.S.S.R. and Latvia.
- 12 Agricultural Wages Board decided on 4s. a week increase for farm workers.

Selected Chronology

1920.

August.

- 14 Treaty between Yugoslavia and Czechoslovakia.
- 18 Milner Mission handed proposals to Egyptian delegation.
- 23 Battle of Warsaw. Poles, assisted by General Weygand, defeated Russians at Warsaw.

September.

- 1 Celebration of Tercentenary of Sailing of *Mayflower* at Plymouth.
- 7 Military agreement between France and Belgium.
- 19 Agreement reached in Italy between employers and workers (General Federation of Manufacturers and General Federation of Labour) for workers' control in industry.
Council of League of Nations recognized the transfer of Eupen and Malmédy to Belgian sovereignty.
- 22 Reparations Commission published statement of German tonnage surrendered to Allies—1,944,565 tons.
- 24–October 8 International Financial Conference in Brussels.
- 30 Parade of the Middle Classes Union in the Strand, protesting against high prices.
Treaty between Soviet Russia and Azerbaijan.

October.

- 5 Constitution of Austrian Republic promulgated.
- 9 Poles occupied Vilna.
- 12 Armistice signed between Russia and Poland.
- 14 Peace Treaty between Finland and Russia signed at Dorpat.
- 18 Bread price—1s. 4d. for a quartern loaf.
Riots of unemployed in Whitehall.
- 25 Alderman McSwiney, Lord Mayor of Cork, died in Brixton Prison on seventy-fourth day of his hunger strike.
King Alexander of Greece died in Athens.
- 27 Danzig constituted as a Free City by Conference of Ambassadors.
- 28 Allies recognized Rumanian sovereignty in Bessarabia.
League Council decided plebiscite should be held at Vilna.
- 31 Wrangel defeated by Bolsheviks in Crimea.

November.

- 1 Scheme for Austrian reconstruction submitted to the Reparation Commission.
Tacna-Arica dispute between Chile and Peru began.
- 3 Senator Harding (Republican) elected President of U.S.A.
- 9 Anglo-Egyptian negotiations in London ended.
Poland signed Danzig Convention.
- 11 Armistice Day. Unknown Warrior buried in Westminster Abbey.
Cenotaph unveiled.
- 12 Treaty between Italy and Yugoslavia signed at Rapallo.
Third Reading of Home Rule Bill carried by 183 to 52.

Our Own Times

1920.

November.

- 13 Treaty of Trianon ratified by Hungarian Parliament.
- 14 Wrangel and his army fled to Constantinople. Sebastopol fell.
- 15 First Assembly of the League of Nations met.
Results of elections in Greece. Majority for ex-King Constantine.
M. Venizelos resigned.
- 17 Constitution of Free City of Danzig placed under guarantee of the League.
- 21 Riots in Dublin. Ten army officers murdered, four of other ranks.
- 26 Sinn Fein leaders, Mr. Arthur Griffith and Mr. John McNeill, arrested.
- 29 Armistice convention between Poles and Lithuanians at Vilna.
Murder of eighteen Irish auxiliary police in County Cork.

December.

- 1 Constitution of Permanent Mandates Commission approved by the League.
D'Annunzio, in defiance of Treaty of Rapallo, declared war on Italy.
- 2 Soviet Government established in Armenia.
Allied Note to Greece on consequences of return of ex-King Constantine.
- 6 Greek plebiscite results showed majority in favour of ex-King Constantine.
- 12 City of Cork in flames. Discovery of plant for bombs in Dublin.
Declaration of Martial Law in Cork, Tipperary, Kerry, Limerick.
All arms and ammunition to be given up by December 27th.
- 13 Assembly of the League approved Statute and Optional Clause for the compulsory jurisdiction of the Court of International Justice.
- 15 Austria admitted to the League.
- 16-22 Meeting of Allied and German experts at Brussels on Reparations.
- 17 League assigned mandate for Yap and Caroline Islands to Japan.
- 19 Ex-King Constantine arrived in Greece.
- 20 Farrow's Bank suspended payment. Chairman and auditor arrested.
Pitched battle in Tipperary between soldiers and civilians.
- 23 Franco-British Convention on frontiers of Iraq and Syria.
- 24 Italian troops marched on Fiume. D'Annunzio wounded.
- 31 Fiume capitulated to General Ferrario.

1921.

January.

- 10 Lord Reading appointed Viceroy of India.
- 14 Report of Experts Committee on Reparation submitted to Supreme Council.
- 15 Occupation of Anual by Spanish troops.
- 16 M. Briand became Prime Minister of France.
- 18 Italians occupied Fiume.

Selected Chronology

1921.

January.

- 23 Turkish Government accepted Agreement for Provisional Inter-Allied Financial Control.
- 25 Women sat for first time as jurors in Divorce Court.
- 26 Supreme Council recognized *de jure* independence of Republics of Esthonia and Latvia.
- 29 Supreme Council's proposals to Germany *re* reparation payments. Sanctions to be imposed in case of failure to accept.

February.

- 4 Unemployment figures—1,108,000.
The Times published figures from annex to Report of the Brussels Financial Conference showing comparative taxation—average per head: U.K., £17; France, £5, 16s.; Germany, £2, 11s.
- 9 Duke of Connaught inaugurated Council of State and Imperial Legislative Assembly in Delhi.
- 10 South Africa election results. Victory for General Smuts.
- 14 Ministerial changes in Great Britain.
- 17 Conference on Wheat Prices. Government pledge to farmers of guaranteed price of 95s. a quarter to be honoured.
- 18 Report of the Milner Commission to Egypt issued.
- 19 Treaty between France and Poland.
- 21 Cossacks under Riza Khan took Teheran. Nationalist Government set up.
Panama invaded Costa Rica.
- 21-March 14 Conference in London on Turkey. Allies realized that Treaty of Sèvres must be revised.
Conference in London on Reparation. German counter-proposals submitted.
- 25 Hutuktu, the Living Buddha, crowned King of Mongolia; and independence of country from China proclaimed.
Temporary Mixed Commission on Disarmament appointed.
- 26 Russo-Persian Treaty signed.
- 28 Fierce fighting in Florence between Fascists and Socialists.
Russo-Afghan Treaty signed.

March.

- 1 Turco-Afghan Treaty signed.
Cost of living 141 per cent. above July 1914.
- 3 League puts into effect organization of Ter Meulen Scheme for International Credits.
Rumanian Convention of Alliance with Poland.
Vilna plebiscite abandoned: failure to raise international force to supervise.
- 4 President Harding took Oath of Office.
President Harding's Message upon taking the Oath. International co-operation in so far as it is compatible with national sovereignty.

Our Own Times

1921.

March.

- 4 Royal Assent given to Unemployment Insurance Bill.
- 6 President Harding issues ultimatum to Panama and Costa Rica. Hostilities ceased.
- 7 Conference between Allies and Germans failed. Sanctions to be enforced.
Ex-King Karl arrived in Hungary.
- 8 "Sanctions" put into force. Allied forces occupied Düsseldorf, Duisburg and Ruhrort. Germany appealed to the League.
- 16 Bolshevik Treaty with the Kemalists.
Trade Agreement between Great Britain and Soviet Russia signed.
- 17 Bonar Law resigned from the Government for reasons of health.
Allies agree to provisional suspension of reparation and relief claims against Austria.
- 18 Peace signed between Russia, Poland and the Ukraine at Riga.
- 19 Turks ejected from Batum. Georgians established a Soviet Government.
- 20 Plebiscite held in Upper Silesia. Indecisive result.
- 23 Second Greek offensive, following failure of London Conference.

April.

- 3 Conference of Ambassadors reaffirmed declaration against restoration of the Hapsburgs in Hungary.
Congress of Fascists in Bologna.
- 4 Zaghlul Pasha arrived in Alexandria and was received with enthusiasm.
- 5 *The Times* published "Instructions regarding Work of Political Trade Delegations"—Soviet Government's propaganda for World Revolution.
Ex-King Karl left Hungary for Switzerland.
- 7 Sun Yat-Sen elected "President of China" by Parliament at Canton.
Inauguration of New Economic Policy in Russia.
- 9 Allied Customs Cordon established in Rhineland.
- 22 Canada decided to appoint a Minister to the U.S.
- 23 Treaty between Rumania and Czechoslovakia.
- 24 Tyrol by plebiscite votes for union with Germany.
- 27 Reparation Commission fixed £6600 million—amount due from Germany under Art. 233 of Treaty of Versailles.
- 28 Bank rate reduced from 7 to $6\frac{1}{2}$ per cent.

May.

- 1-7 Serious riots in Jaffa: fighting between Jews and Arabs.
- 2 U.S.A. threatened Panama with sanctions unless she accepted American award.
- 5 Ultimatum of Allies to Germany on reparation. Six days' grace allowed.
- 11 Germany decided to accept Allies' Ultimatum.

Selected Chronology

1921.

May.

- 18 Mount Everest expedition started.
- 20 Riots in Alexandria. Europeans killed.
Military *coup d'état* in Portugal.
- 22 Trial of War criminals began at Leipzig.
- 24 New Postal Rates—Postcards, 1½d., foreign letters, 3d.
- 25 Dublin Customs House destroyed by rebels.
U.S. Senate voted unanimously for five years' naval holiday.
- 26 First woman passed final Bar examination.
- 27 British Force returned to Upper Silesia to restore order.

June.

- 3 U.S. Immigration Laws, establishing annual quotas for immigrants of all nations, in force.
- 7 First Ulster Parliament opened.
Convention between Rumania and Jugoslavia.
- 13 Italian Royal Commission took over government of Fiume.
Denunciation of Anglo-Persian Agreement.
- 22 Royal visit to Belfast for opening of Parliament of Northern Ireland.
Mussolini as leader of Fascists made speech in the Chamber. Fight ensued between Fascists and Socialists.
- 24 League Council awarded Åland Islands to Finland.

July.

- 4 Work resumed in coal fields.
- 5 Mediterranean Fleet ordered to concentrate at Constantinople.
Everest climbers reached 23,000 feet.
- 7 Albania appealed to League against Yugoslav invasion.
- 12 Fresh negotiations between Egyptian delegations and British Government opened.
- 14 Irish Peace Conference in London.
- 16 End of Leipzig trials of war criminals: twelve cases, six convictions.
- 22 Spanish retreat from Anual (Morocco) began.
- 26 Treaty of Trianon ratified and came into force.
British withdrawal from Persia announced.
- 30 Treaty of Peace between Soviet Russia and Turkey ratified by Angora Assembly.

August.

- 8 Supreme Council met in Paris.
- 9 Capitulation of Spaniards retreating from Anual.
- 11 President of the United States issued invitations to a Conference on Disarmament and the Far East at Washington.
- 12 Statement by the Treasury of German reparation payments.
Receipt by Great Britain of £12,113,000 up to April 30th, 1921.
Supreme Council decided to refer the question of partition of Upper Silesia to Council of the League.

Our Own Times

1921.

August.

- 15 Issue of text of Government offer for Irish Settlement.
- 23 Emir Feisal crowned King of Iraq.
- 24 Treaty of Peace between U.S.A. and Austria signed.
Official reply of de Valera, refusing Britain's offer of "Dominion status."
Panama gave up disputed territory: protest against U.S. action.
- 25 Treaty of Peace between U.S. and Germany signed in Berlin.
- 27 Agreements between Soviet Russia and Dr. Nansen (High Commissioner appointed by Red Cross for Relief in Russia).
- 29 Treaty of Peace between U.S.A. and Hungary signed.

September.

- 2 League Council declared the Statute of the Court of International Justice to be in force: ratified by majority of League members.
- 6 Cabinet met in Inverness to discuss Irish situation.
- 7 British Note to Soviet Russia on violation of Trade Agreements by propaganda in India, Turkey and elsewhere.
- 8 Mark fell in Berlin. Bourse closed.
- 14-16 Judges for The Hague Court elected by the League.
- 29 Conference of Ambassadors decided to maintain territorial integrity of Albania and recognized particular interest of Italy in that country.
- 30 Economic sanctions against Germany raised.

October.

- 1 Safeguarding of Industries Act 1921 came into force for five years.
- 12 League Council plan for the partition of Silesia.
- 19-20 Revolution in Lisbon: Prime Minister assassinated.
- 20 Conference of Ambassadors accepted League proposals *re* Upper Silesia.
Franco-Turkish Treaty signed at Angora fixed frontier between French Syria and Turkey. France recognized Angora Government.
- 21 Ex-King Karl again in Hungary joined by irregular forces.
- 23 German Cabinet resigned as protest against the Silesia decision.
- 24 Ex-King Karl arrested at Komorn by Admiral Horthy's troops.
Conference of Ambassadors demanded that Ex-King Karl should be deposed and exiled.
- 28 Note from Soviet Government to Powers *re* recognition of debts.

November.

- 1 Prince of Wales opened first Parliament elected under new Maltese Constitution.
- 3 820 marks to the pound sterling in Berlin.
- 4 All-Indian Congress Committee, on Mr. Gandhi's resolution, adopted "civil disobedience."

Selected Chronology

1921.

November.

- 7 Hungarian law abrogating rights of Karl IV and invalidating Hapsburg succession. Followed by declaration that Hungary would abide by decision of the Conference of Ambassadors.
- 9 Conference of Ambassadors appointed Commission to settle Albanian frontiers.
- 12 Washington Conference opened.
Albanian independence recognized.
- 13 United States Delegation at Washington Conference proposed ten years' holiday scheme for limitation of naval armaments in U.S.A., Great Britain and Japan.
- 14 League appointed Upper Silesian Commission to conduct Polish-German negotiations.
- 15 First international Air Navigation Congress opened in Paris.
Egyptians rejected British proposals.
- 16 Dollar rate in London $4\cdot00\frac{1}{8}$ to the £1—effect of Washington Conference.
- 19 Admiralty gave orders for work on four new vessels of super-Hood type to be suspended.
Ex-King Karl arrived in Madeira, his place of exile.

December.

- 1 Government's new proposals to Sinn Fein for an Irish Free State.
- 6 Anglo-Irish Treaty signed. Irish Free State with Dominion status.
Oath of loyalty to the King and British Empire.
- 10 Jugoslavs evacuated Albania.
- 13 Four-Power Treaty (Great Britain, France, United States and Japan), for preservation of peace and maintenance of their rights in the Pacific, signed at Washington.
- 15 German Government applied for a moratorium of reparation payment due on January 15th.
- 23 Zaghulul Pasha arrested. Deported to the Seychelles (March 1922).
"Hartal" declared in Calcutta on the visit of the Prince of Wales.

1922.

January.

- 6-13 Conference at Cannes. Decision to call Economic Conference at Genoa. Russia to be invited.
- 7 Dail Eireann votes on the Treaty. For the Treaty, 64; against, 57.
- 10 Mr. Arthur Griffith elected President of Dail Eireann. Ministers chosen from supporters of the Treaty.
- 12 Briand Ministry resigned. Poincaré government formed.
Amnesty proclaimed in Ireland.
- 13 Germany granted provisional moratorium on reparation.
- 28 Dollar rate in London $4\cdot27\frac{5}{8}$ to the £1.
- 30-March 24 Preliminary session of The Hague Court.
- 31 Civil Disobedience began in certain areas in India.

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1922.

February.

- 4 Treaty between China and Japan *re* Shantung.
- 6 Two Nine-Power Pacts signed at Washington on policy to be followed in China.
Washington Conference adopted Five-Power Naval Treaty for limitation of naval armaments.
- 10 First and Second instalments of Geddes Economy Report issued; anticipated saving of £80 million.
- 11 Japanese-American Treaty *re* Yap mandate signed.
- 21 Third Geddes Economy Report. Saving of £15 million proposed.
- 28 Wedding of Princess Mary to Viscount Lascelles.
British declaration terminating Protectorate of Egypt: independence subject to certain conditions.

March.

- 3 Fascist putsch in Fiume.
- 8 U.S. Government declined to take part in Genoa Conference.
Serious riots on the Rand. Troops called out.
- 10 Gandhi arrested.
Martial Law on the Rand.
- 11 Allied Finance Ministers agreed on division of reparation payments.
- 13 Soviet Republics in Transcaucasia formed federation.
- 14 Following encircling movement of General Smuts, Rand revolt ended.
- 15 Fuad, former Sultan, proclaimed King of Egypt.
- 18 Gandhi sentenced to six years' imprisonment.
Fighting on the Ulster frontier between the Irish Republican Army and Ulster Special Constabulary.
- 21 Note of Reparation Commission to Germany for partial moratorium and extension of financial supervision.
- 24 German Exchange—1535 marks to the £1.
- 29 Irish Peace Conference convened by British Government opened in London.
- 30 Irish Peace Agreement signed by Governments of Northern Ireland, Southern Ireland and Britain.
U.S. Senate ratified Treaties signed at Washington.

April.

- 1 Cost of living 82 per cent. above July 1914. 51 points below figures of April 1st, 1921.
Ex-King Karl died at Funchal.
- 2 Price of milk reduced from 9d. to 5d. a quart.
- 10-May 19 Genoa Conference. Thirty-four countries present to discuss economic reconstruction of Europe.
- 11 5 per cent. War Loan for first time rose above par—100 $\frac{1}{8}$.
- 16 Treaty of Rapallo between Germany and Soviet Russia.
- 29 Washington Treaties ratified by China.

Selected Chronology

1922.

May.

- 1 Budget statement. A shilling off income tax, lower duties on tea and coffee and cheaper postage.
- 15 Polish-German Convention on Upper Silesia signed.
U.S. Chamber of Commerce Report on Allied indebtedness to the U.S. Aggregate debt, £2,267,856,000.
- 16 U.S. refused invitation to The Hague.
- 17 Breakdown of negotiations on Russian trade relations. Decision to reopen discussions at The Hague.
- 29 Fighting on the Ulster and Free State borders.
- 31 New Austrian Cabinet with Dr. Seipel as Chancellor. "Bourgeois" combination.
Following German acceptance of terms, Reparation Commission confirmed partial moratorium.

June.

- 1 50,000 Fascists gathered at Bologna.
- 3 Great Britain reaffirmed Balfour Declaration on Palestine.
- 4 British troops drove I.R.A. rebels out of Northern Ireland.
- 5 Portuguese airmen completed Transatlantic flight—Lisbon to Pernambuco.
- 10 Li Yuan-Hung accepted Presidency of Chinese Republic.
- 11 Attempt on Mount Everest abandoned after avalanche, which killed seven porters.
- 14 Lenin withdrew from the Government of Russia for period of six months on account of health. Triumvirate of Stalin, Kameneff and Rykoff to take his place.
- 15 Secretary of State for Air gave figures of civil aircraft holding certificates for air-worthiness on June 1st and on same date in two preceding years. 1922, 97; 1921, 137; 1920, 240.
Final meeting of British and Irish signatories to the Irish Treaty. Text of amended Constitution issued.
- 16 Bank rate declined from 4 to $3\frac{1}{2}$ per cent.
- 18 Sun Yat-Sen's forces defeated in Canton. Sun took refuge on Chinese warship.
- 20 Retail price of coal to be lower by 9s. a ton in London.
- 21 Irish Free State Elections. Pro-Treaty Party majority.
First Majlis since 1915 opened by the Shah of Persia.
- 22 Sir Henry Wilson murdered in London.
- 24 Murder of Dr. Rathenau, German Minister for Foreign Affairs.
- 26-July 20 Conference of experts at The Hague to discuss relations with Russia.
- 28 Irish Free State troops laid siege to rebel headquarters in the Four Courts in Dublin.
Labour Party Conference by vote refused to consider affiliation with British Communist Party.

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1922.

June.

- 30 At Hague Conference, Litvinoff presented scheme showing Russia required credits up to £322,400,000.

July.

- 5 Irish rebels surrendered in Sackville Street. Street in flames.
7 On Berlin bourse the £1 reached 2400 marks.
10 Arab Congress in Jerusalem protested against Balfour Declaration.
11 L.C.C. proposal for Sunday games in the Parks carried.
12 German demand for total moratorium on cash payments till end of 1924.
13 Supreme War Council nominated in Irish Free State with Mr. Collins as Commander-in-Chief.
17 London County Hall opened by the King.
18 Creditors of Austria agreed at meeting of Reparation Commission to waive claims on residue of Austrian assets.
19 Demonstration against bread prices in Vienna.
Facta Government fell in Italy.
General Pilsudski, Chief of State in Poland, resigned on account of his inability to co-operate with M. Korfanty.
20 League Council approved B mandates for Togoland, Cameroons and Tanganyika.
21 German Government accepted terms of the Committee of Guarantees for control of German finance by the Allies.
Free State troops captured Waterford and Limerick.
24 League Council approved A mandates (Syria, Palestine).
26 Fascist riot at Ravenna.
31 On Berlin bourse, £1 reached 2745 marks.

August.

- 1 The Balfour Note on reparation and Inter-Allied debts issued.
New Italian Government under Signor Facta.
2 German Exchange closed at 3775 to the £1.
Committee of Imperial Defence decided to make large addition to Air Force—500 machines for Home defence, at increased cost of £2 million per annum.
4 Civil War in Italy.
Washington Treaties ratified by Great Britain for the British Empire.
5 Washington Treaties ratified by Japan.
7-11 Allied Conference in London on Reparation to consider conditions for granting further moratorium.
9 Sun Yat-Sen's general again defeated. Sun escaped from Canton on British gunboat to Shanghai.
10 British Orders in Council for Legislative and Executive Council in Palestine.
13 Death of Arthur Griffith, President of Dail Eireann.
16 German mark 4650 to the £1.

Selected Chronology

1922.

August.

- 16 French and German competitions with "gliders." One machine stayed in the air for three minutes.
- 19-26 Sir John Bradbury and M. Maucière, delegates of Reparation Commission, visited Germany to investigate Germany's finances and capacity to pay.
- 21 Unemployment figures, 1,333,700.
Coal 1s. a ton dearer in London.
- 23 General Michael Collins, head of Irish Free State Government, killed by Irregulars in an ambush in County Cork.
Riots of unemployed in Vienna.
- 24 Moslem-Christian Congress at Nablus rejected British Mandate.
- 26 German Exchange improved from 9500 marks to the £1 to 7550.
Collapse of Greek Army in Asia Minor.
- 31 Alliance between Czechoslovakia and Jugoslavia renewed.

September.

- 1 Food riots in Berlin.
- 3 Greek Government requested the Powers to arrange an armistice and decided to withdraw from Asia Minor.
- 5 Nine British warships arrived at Constanza to protect British shipping.
- 9 Turks seized Smyrna.
- 11 Note of Allied Commissioners to Angora Government stating that Allies would not tolerate violation of neutral zone (Bosphorus and Dardanelles).
Palestine Constitution proclaimed. Arab protest.
- 15 Destruction of Smyrna by fire; 120,000 victims.
- 16 The British Government invited the Dominions and the Balkan States to take part in the defence of the neutral zone.
- 18 Dr. Nansen at the League Assembly appealed for assistance for Greek refugees.
- 21 The French and Italians withdrew from Chanak.
- 23 Allies addressed Note to Angora Government, inviting it to Conference to discuss peace.
Turkish forces entered neutral zone of Chanak (retired 24th).
- 25 Decision of League Assembly that Council should in future comprise six instead of four non-permanent members.
- 27 Abdication of King Constantine. Revolution in Greece.
- 29 Angora Government accepted invitation to Peace Conference.

October.

- 3 Irish Provisional Parliament accepted Article 17 of the Constitution containing Oath of Allegiance.
Conference at Mudania between Allied Generals and the Turks opened.

Our Own Times

1922.

October.

- 4 League Agreement for Financial Reconstruction of Austria signed by Austrian Chancellor and representatives of four guaranteeing Powers.
- 9 £1 sterling in Berlin quoted at 11,480 marks.
- 10 Treaty between British and Iraq Governments signed at Baghdad.
- 11 Armistice Convention between Allies and Turks signed at Mudania.
- 16 British Government paid £10 million to U.S. Government on account of interest on War Debts.
- 18 Memorandum and Articles of Association of British Broadcasting Corporations ratified by meeting of manufacturers.
- 19 Fall of the Coalition Government. Resignation of Lloyd George. Decision of the Conservative Party at the Carlton Club meeting to fight the election as a separate party.
- 24 Conservative Government formed under Mr. Bonar Law.
- 26 Parliament dissolved. Election campaign opened. Fascist march on Rome.
- 27 Allies issued invitations to Lausanne. Conference on the Near East ; U.S.A. and Russia invited. Successful Fascist risings in Italy. Cabinet resigned.
- 29 King of Italy entrusted Mussolini with formation of a Cabinet.

November.

- 1 Grand National Assembly of Angora formally disowned Constantinople Government and abolished Sultanate.
- 4 Constantinople Government resigned and the "Province of Constantinople" was taken over by Kemalists.
- 6 Allied High Commissioners refused to evacuate Constantinople.
- 9 U.S. Election results. Small Republican majority.
- 13 U.S. Supreme Court decided Japanese were not eligible for U.S. citizenship.
- 17 Result of Elections in United Kingdom—Unionist majority of 77 over all. Flight of the Sultan from Constantinople on British battleship *Malaya*.
- 19 Election of Abdul Medjid, son of Sultan Abdul Aziz, by Grand National Assembly, as Caliph.
- 20 Lausanne Conference opened. New Government in Germany with Dr. Cuno as Chancellor.
- 21 Ramsay MacDonald elected leader of the Parliamentary Labour Party.
- 26 Special powers conferred by Parliament on Fascist Government.
- 28 Execution at Athens of five former Greek Ministers.

December.

- 3 Mr. Timothy Healy accepted post of Governor-General of Southern Ireland.

Selected Chronology

1922.

December.

- 6 Irish Free State officially came into existence.
- 11 The British Government decided to lay down two capital ships as allowed by Washington Treaty.
- 13 Moscow Disarmament Conference ended in failure.
- 15 League High Commissioner for reconstruction arrived in Vienna.
- 21 British Government decided in principle to devote British share of Boxer Indemnity to purposes beneficial to both Britain and China.
- 26 Reparation Commission declared that Germany is in "voluntary default" in deliveries of timber.
- 30 Union of Soviet Socialist Republics constituted by Treaty of Federation signed at Moscow. Transcaucasian federation included.
- 31 Indian National Congress decided to boycott the Elections.

1923.

January.

- 1 Indian National Congress adopted resolution for "civil disobedience."
- 2 New Bank of Issue opened in Vienna.
- 3 Conference in Paris. Franco-British deadlock on reparation question.
- 10 U.S. President ordered complete evacuation of American troops from Germany as result of French action in the Ruhr.
French and Belgian Note to Germany threatening occupation of Ruhr.
- 11 Essen and other places in the Ruhr occupied by French troops.
Belgian troops co-operating.
Death of Ex-King Constantine.
- 13 Hitler, leader of National Socialist Workers' Party, roused crowds in Munich to demonstrate against position of Germany.
- 15 German mine-owners, in obedience to their government, refused to deliver reparation coal.
Lithuanians occupied Memel, then under Allied administration.
- 16 German mark exchange in Berlin, 80,000 to the £1.
- 19 Inter-Allied Commission appointed by Conference of Ambassadors to inquire into situation at Memel.
French troops occupied state-owned mines at Buer, Westerholt and Recklinghausen. Banks also put under French control in occupied area.
- 23 Ruhr miners' strike.
- 26 Reparation Commission by three votes, British Delegate abstaining, declared Germany to be in "general default."
German mark in Berlin falls to 120,000 to the £1 sterling.
- 30 Following general strike, French and Belgians took over Ruhr railway administration.

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1923.

January.

- 30 Græco-Turkish Agreement *re* exchange of populations.
- 31 Treaty presented to the Turks at Lausanne.

February.

- 3 Poland rejected League proposals *re* Vilna and referred question to Conference of Ambassadors.
- 4 Turks refused to sign Lausanne Treaty.
- 8 Upon Turkish order to withdraw warships before sunset on February 7th, British warships entered Smyrna Gulf. Ordered to fire if attacked.
- 11 Turks mined entrance to Smyrna Harbour.
- 15 French loan to Poland for purchase of war material voted by Chamber of Deputies.
- 16 Italy ratified Washington Treaties.
Conference of Ambassadors agreed to transfer Memel to Lithuania as autonomous area.
Sealed chamber of Tutankhamen's tomb opened.
- 21 Sun Yat-Sen returned to Canton and formed a government.
- 22 Report from Baghdad of the discovery of ancient temples at Ur of the Chaldees.

March.

- 5 Civil Service Estimates, 1923-24, £327,212,872.
- 8 Turkish Note to the Allies contained counter-proposals for a Treaty.
- 14 Conference of Ambassadors awarded Vilna to Poland. Lithuania protested.
- 16 German Government ordered passive resistance in the Ruhr.
- 23-May 3 Fifth Pan-American Conference at Santiago.
- 24 Norfolk farm workers strike, refusing attempts of farmers to reduce wages.
- 27 Supreme Revolutionary Tribunal of Soviet Russia condemned Archbishop Cieplak and Mgr. Budkevich (Catholic clergy) to death.
- 30 Death sentence on Archbishop Cieplak commuted to ten years' imprisonment. Mgr. Budkevich executed. British note of protest.

April.

- 1 Conflict between French troops and Krupp's workers at Essen; many killed.
- 4 Zaghlul Pasha released on account of ill-health.
- 7 Angora National Assembly accepted invitation to reopening of Lausanne Conference.
- 14 Ishii-Lansing Agreement of November 2nd, 1917, annulled.
- 16 Budget statement in the House of Commons. Income Tax reduced to 4s. 6d. in the £1.

Selected Chronology

1923.

April.

- 17 Proceedings taken against Hitler in the State Court of Leipzig.
- 19 Egyptian Constitution signed by King Fuad.
- 23 Lausanne Conference reopened.
Reichsbank raised bank rate to 18 per cent.
- 25 Postmaster-General appointed Committee on Broadcasting.
Great Britain recognized independence of Transjordan under
Amir Abdullah, subject to conditions.
- 26 Marriage of Duke of York to Lady Elizabeth Bowes-Lyon.
- 27 Proclamation issued by de Valera in Dublin announced his terms
for cessation of hostilities.
- 30 Protocol to Anglo-Iraq Treaty reducing period of Treaty from
twenty to four years from date of ratification of peace with
Turkey.

May.

- 2 German Note to the Allies containing reparation offer. Offer of
£1,500 million by instalments and special guarantees.
- 5 British Note to Russia threatening termination of trade agreement.
- 6 M. Barbot crossed the Channel twice in a "glider" with 15 h.p.
engine.
- 8 Herr Krupp von Bohlen and two other Krupp Directors sentenced
by Court Martial at Werden to fifteen years' imprisonment
and fine of 1,000 million marks each.
- 10 Vorowsky, Russian delegate to Lausanne Conference, assassinated.
- 14 New postage rates. Reductions in price. Letters, 1½d.; post-
cards, 1d.
- 20 Mr. Bonar Law resigned from the Premiership on account of
ill-health; succeeded by Mr. Baldwin.
- 29 Elections for Palestine Legislative Council declared void owing to
the abstention of the Arab voters from the poll. Establishment
of Constitution suspended.
French Loan to Rumania for purchase of material voted by Chamber
of Deputies.
- 31 Fresh collapse of the mark. £1 sterling went to 320,000.

June.

- 1 General Strike of municipal employees at Cologne.
- 9 Revolution in Bulgaria. Power seized by Army.
- 11 Soviet Russia gave undertaking to refrain from propaganda against
Great Britain.
- 13 Arab members of Palestine Advisory Council resigned.
President Li Yuan-Hung left Peking.
- 14 On Berlin Exchange £1 sterling rose to 505,000 marks.
- 18-19 Formal Agreement for funding British debt to U.S.A.
- 26 Government decided to provide additional thirty-four squadrons
for Home Air Defence.

Our Own Times

1923.

June.

- 26 The Labour Party at its Annual Conference rejected application of the Communist Party for affiliation.

July.

- 1 Cost of living 69 per cent. above July 1914.
6 Constitution of Union approved and put into force by Central Executive Committee in Russia.
10 The Œcumenical Patriarch retired from Constantinople and left for Mount Athos.
12 French Loan to Yugoslavia for purchase of material voted by Chamber of Deputies.
15 Soviet Government declared economic boycott of Switzerland for refusing satisfaction for Vorowsky's death.
20 British Note to Allied Ambassadors. Suggestion for inquiry into situation in the Ruhr by an impartial body: also insisted on international control of German finance.
23 Treaty between Turkey and Poland signed at Lausanne.
24 Treaty of Peace between Turkey and the Allied Powers signed at Lausanne, together with convention with regard to the Straits, Minorities, etc.

August.

- 2 Reichsbank raised bank rate to 30 per cent.
3 President Harding died. Calvin Coolidge became President of U.S.A.
7 General Treaty and Extradition Treaty between Turkey and U.S.A. signed at Lausanne.
12 Dr. Cuno resigned and Dr. Stresemann became German Chancellor.
15 De Valera arrested by Free State troops.
17 Termination of Anglo-Japanese Alliance.
21 On Berlin Exchange £1 sterling rose to 36 million marks.
23 Angora Government ratified the Lausanne Treaty.
24 Evacuation of Constantinople by British troops.
27 General Tellini, an Italian, President of International Commission of Delimitation of Græco-Albanian frontier, murdered.
29 Italian Government sent ultimatum to Greek Government.
31 U.S. Government formally recognized the Republic of Mexico and resumed diplomatic relations after interval of nine years.
Following Greek refusal to accept ultimatum, Italians bombarded and occupied Corfu.

September.

- 1 Result of Irish Elections: Government, 63; Republicans, 44; Independents, 16: Labour, 15: Farmers, 15.
Greek Government appealed to the League of Nations.
Earthquakes and consequent fires devastated Tokyo, Yokohama and surrounding country.

Selected Chronology

1923.

September.

- 2 Conference of Ambassadors Note to Greece demanding an inquiry.
Greek Government accepted jurisdiction of Conference.
- 4 On Berlin Exchange mark declined to 77 million to the £1.
- 5 Italy disputed competence of the League to intervene in Italo-Greek question: insisted on leaving it to Conference of Ambassadors.
- 6 League plan for settlement of Græco-Italian dispute accepted by Conference of Ambassadors.
- 10 Greece accepted League plan.
Irish Free State admitted to the League.
- 12 *Coup d'état* in Spain. Primo de Rivera (Marquis d'Estella), President of Military Directorate. Martial law declared.
- 18 Indian National Congress decided to organize civil disobedience and to boycott British Empire goods as protest against decision *re* status of Indians in Kenya.
- 21 Zaghlul Pasha denounced British Declaration to Egypt.
- 22 Communist rebellion in Bulgaria. Martial Law declared.
League Council referred to a Committee of Jurists question of its competence to intervene in disputes.
- 26 Decision of the Conference of Ambassadors as to responsibility for the Janina murders. Greece to pay £500,000 to Italy.
- 27 Italian troops evacuated Corfu, but Italian naval squadron remained. President Ebert cancelled passive-resistance order in the Ruhr.
- 28 U.S.A. won the Schneider Trophy by the victory of Lieutenant David Rittenhouse with a speed of 177.38 miles an hour.
Dispute between Conference of Ambassadors and Lithuania over Memel proposals referred to the League.
- 29 League Council authorized Financial Committee to plan Hungarian reconstruction.
- 30 League Assembly passed Draft Treaty of Mu. ¹ Guarantee.

October.

- 1 Council of the League decided to accept scheme of Loan to Greece for settlement of refugees from Asia Minor, and to appoint a Settlement Commission.
Report of Broadcasting Committee on scheme of national broadcasting issued.
- 5 Evacuation of Constantinople by Allied forces.
- 8 Agreement between French and German industrialists *re* coal deliveries.
- 10 German mark touched 19,000 million to the £1.
At Peking, Tsao Kun was proclaimed President of China and National Constitution promulgated.
- 11 Food riots in Cologne.
- 12 British Government invited American co-operation in settlement of reparation dispute.

Our Own Times

1923.

October.

- 14 German Reichstag passed Powers Bill. Full powers conferred on Dr. Stresemann.
- 16 Berlin food riots.
- 21 Armed bands of Separatists proclaimed Rhineland Republic at Aix-la-Chapelle.
- 22 Separatist movement spread throughout Palatinate.
- 23 Imperial Economic Conference passed resolutions on question of foreign discrimination against British shipping.
- 28 Riza Khan Prime Minister of Persia.
- 29 Turkish Republic proclaimed.
- 31 British Note to French and Belgian Governments announced that Britain will not recognize separate Rhineland Republic.
Imperial Conference agreed on question of status of Indians overseas.

November.

- 2 Belgian High Commission compelled Separatists to evacuate Aix-la-Chapelle.
- 8 Directory of Five headed by Hitler and Ludendorff assumed power in Munich and claimed to rule not only Bavaria but whole of Germany.
Postmaster-General stated that half a million broadcasting licences had been issued. Terms of new Agreement with British Broadcasting Corporation published.
- 9 Hitler and Ludendorff were taken prisoners, and putsch fails.
Close of Imperial Conference.
- 13 Reparation Commission decided to investigate German capacity to pay reparations.
- 15 Order of German Minister of Finance authorized Rentenbank to begin issue of Rentenmark.
- 16 Parliament dissolved.
Agricultural Tribunal of Investigation recommended subsidy of 10s. on all arable land with extra 10s. for wheat.
- 23 Second Stresemann Cabinet defeated in the Reichstag.
Reparation Commission heard Herr Fischer on Germany's capacity to pay.
- 26 B.B.C. concert broadcast was heard in U.S.A.
- 30 New Government in Germany under Dr. Marx.
Reparation Commission consented to formation of two Committees to inquire into financial situation in Germany.

December.

- 1 Sun Yat-Sen threatened to seize customs revenues at Canton.
- 2 New Advisory Council in Palestine comprised solely of Government officials.
- 3 Rise in value of the mark to 20 billions to the £1 sterling.
- 6 General Election in United Kingdom.

Selected Chronology

1923.

December.

- 6 Foreign marines landed to guard Canton customs-house : warships dispatched by the Powers.
- 7 Rebellion of nine states in Mexico against Obregon Government.
- 8 Election results : Unionists, 254 ; Labour, 192 ; Liberal, 149 ; Others, 7. Eight women elected.
Powers Bill giving new German Cabinet despotic powers passed by Reichstag.
- 12 Two American experts joined the Reparation Commission.
- 16 Victory of Venizelos in Greek elections.
- 18 Tangier Convention signed by delegates of France and Great Britain, and by Spain with reservations.
Hungarian-Turkish Treaty.
King George of Greece left his country.
- 20 League Council approved plan for Hungarian reconstruction.
- 21 Appointment of Dawes Committee on Reparation.
- 22 General de Metz informed High Commission that " Autonomous Government of the Palatinate " had been formed.
- 31 Elections to Indian Legislative Assembly, one-third of its membership Swarajists.

1924.

January.

- 2 Decrees of the " Autonomous Government of the Palatinate " were registered by Rhineland High Commission, British representative dissenting.
- 5 Franc fell to 88·60 to the £1.
- 7 *The Times* published first photo-telegraphic message.
- 9 Herr Heinz, " President of the Autonomous Government of the Palatinate," and four associates, murdered at Speyer.
- 11 French, on representation of British Government, agreed that decrees of " Autonomous Government of the Palatinate " should not be validated.
M. Venizelos became Prime Minister of Greece.
- 13 Reparation Committee of Experts on stabilization of German currency met in Paris.
- 21 Government defeated by majority of 72 on Labour Party's Amendment to the Address.
Death of Lenin.
British Consul-General for Bavaria reported autonomous movement very unpopular and could not have existed without French support.
- 22 Mr. Baldwin resigned. The King invited Mr. MacDonald to form a Government.
Report of Inter-Departmental Committee on public assistance on account of sickness, unemployment and destitution issued.

Our Own Times

1924.

January.

- 25 Treaty of Mutual Guarantee between France and Czechoslovakia signed.
- 27 Treaty of Friendship and Collaboration between Italy and Jugoslavia signed in Rome.
- 28 France withdrew support of Separatist movement on Rhine.
Zaghulul Pasha formed a Cabinet in Egypt.
Treaty of friendship between Austria and Turkey signed.

February.

- 1 U.S.S.R. recognized by Great Britain. Delegation invited to Conference in London.
- 4 President Wilson died at Washington.
Government of Bombay ordered release of Mr. Gandhi for reasons of health.
Venizelos resigned for reasons of health. M. Kaphandaris became Prime Minister in Greece.
- 7 Tangier Convention signed by Spain.
U.S.S.R. recognized by Italy.
- 10 Separatists evacuated last stronghold in Rhine Provinces.
- 15 Egyptian Government refused admittance to Luxor tombs to Mr. Howard Carter and his colleagues.
- 18 Franc fell to 100·5 to the £1 in Paris Bourse.
- 19 In Indian Legislative Assembly, Government was defeated by 76 to 48 votes, and motion adopted that Round Table Conference should devise reform of the Constitution transferring the Government of India to Indians.
- 24 Zaghululists obtained majority in Egyptian elections.
- 26 Trial of Hitler and Ludendorff began in Munich.
- 28 Report of Committee on Imperial Wireless Service policy.

March.

- 3 Treaty between Germany and Turkish Republic signed at Angora.
Grand National Assembly in Constantinople passed resolution for abolition of the Caliphate.
- 5 King Hussein of the Hedjaz accepted the Caliphate.
- 6 Egyptian Government officially opened the tomb of Tutankhamen.
Oregon Government reoccupied Vera Cruz.
- 7 Report of Desborough Committee on the Police Service.
- 14 League Report on Memel dispute.
Protocols for Hungarian reconstruction signed at Geneva.
- 18 Government decided not to proceed with the Singapore Naval Base.
Legislative Assembly in Delhi rejected the New Finance Bill, but it became law in virtue of Viceroy's certification.
Appointment of Committee to inquire into the National Debt.
- 21 Order in Council published, providing for future government of Northern Rhodesia as a British Protectorate.

Selected Chronology

1924.

March.

- 22 Archbishop Cieplak's sentence commuted to permanent banishment.
- 24 Reparation Commission issued Statement showing payments made by Germany up to December 31st, 1923. Grand total, 8,411,339,000 gold marks (£420,566,000).
- 25 Proclamation of a Republic in Greece. George II deposed.

April

- 1 Riza Khan declared a Persian Republic would be contrary to religion.
Hitler-Ludendorff treason trial. Ludendorff acquitted and a mild sentence passed on Hitler.
- 3 M. Poincaré's declaration that French troops would remain in the Ruhr until payment of last gold mark.
- 7 Hitlerite gains in Bavarian elections.
- 8 London County Council decided to rebuild and widen Waterloo Bridge.
- 9 Report of Dawes Committee.
- 13 Greek Republic confirmed by plebiscite.
- 14 Anglo-Soviet Conference opened in London.
- 17 Dawes Plan accepted by Reparation Commission.
Reconstruction Laws passed by Hungarian Parliament.
- 20 Turkish Constitution voted by National Assembly.
- 21 Death of Eleonora Duse at Pittsburg.
- 22 Speech of President Coolidge in New York, approved Dawes Plan for reparations and proposed new World Conference on limitation of armaments.
- 23 British Empire Exhibition at Wembley opened by the King.
Franc rose to 64·65 to the £1 sterling in Paris Bourse.
- 27 Constitutional Assembly opened in Iraq.
- 28 Foreign warships withdrawn from Canton.
- 29 Mr. Snowden's Budget: statement to the House of Commons.
Changes in taxation and abolition of McKenna Duties announced.

May.

- 5 Prevention of Evictions Bill passed Third Reading in the Commons.
- 7 400,000 miners "locked out" in the Ruhr on their refusal to accept the eight-hour shift.
- 8 Allied and Associated Powers signed League Convention respecting the Port of Memel.
- 16 Labour Party's Bill for Nationalization of Mines and Minerals defeated by majority of 96.
- 17 Lithuania signed the Memel Convention.
- 19 Report of delegation to inquire into conditions affecting British settlers in Australia—issued as Blue Book.
Conference between British and Turks on Mosul question opened in Constantinople.

Our Own Times

1924.

May.

- 28 President Coolidge signed U.S. Immigration Bill excluding "aliens ineligible for citizenship."
- 31 Chinese-Russian Treaty *de jure*: recognition of Russia, management of Chinese Eastern Railway, etc.

June.

- 1 Cost of living 69 per cent. above July 1914.
M. Poincaré and his Cabinet resigned.
Japanese Government protested against exclusion clauses of U.S. Immigration Act by Note to U.S.
- 4 German Budget on a gold basis which came before the Reichstag showed greatly improved position of German finances.
- 6 Reichstag passed Vote of Confidence in foreign policy of Government in accepting Experts' Report as a whole.
Publication of correspondence between Great Britain and Canada concerning the Treaty of Lausanne and the dissent of Canada from Imperial policy in ratifying the Treaty.
- 10 Signor Matteotti, Socialist Deputy, abducted in Rome and murdered.
French Government defeated.
Anglo-Iraq treaties adopted by Constituent Assembly.
- 11 M. Millerand resigns his office of President.
- 14 London Underground Railway Strike ended.
M. Herriot formed new French Cabinet.
- 16 Trial of General Berenguer for Annual disaster in Morocco in 1921.
- 18 U.S. Government replied to Japanese Note and defended the exclusion clauses in Immigration Act.
- 19 Report of fate of Mallory and Irvine on Mount Everest.
- 20 White Paper issued gave result of Mines Department's inquiry into retail distribution of domestic coal and gave figures of distribution costs and profits of Co-operative Societies.
British diplomatic agent in Mexico City withdrawn.
- 21 Meeting of M. Herriot and Mr. MacDonald at Chequers. Decision to call Reparation Conference.
- 23 Zaghlul Pasha stated in the Egyptian Chamber that Egypt will insist on evacuation of Sudan by Great Britain.
- 24 General Hertzog accepted office as Prime Minister of Union of South Africa.
New Bank of Issue opened in Hungary.
Anti-British riots at Khartoum and Omdurman inspired from Cairo.
- 25 Lord Parmoor announced in the House of Lords that British Government would not abandon Sudan.
- 26 Primo de Rivera announced Spanish withdrawal from outlying ports in Morocco.
- 30 For seventh time Government was defeated in the Commons.
Norwegian Storting decided to change the name of the Capital from Christiania to Oslo.

Selected Chronology

1924.

July.

- 3 Meeting of Premiers of German Federal States in Berlin received Government declaration on Experts' Report.
- 11 Revolt in Brazil began in Sao Paulo.
Anglo-Irish Free State Treaty registered with the League. Great Britain protested.
- 15 Treaty between Great Britain and Italy in regard to cession of Jubaland by Great Britain to Italy signed.
- 16 Inter-Allied Conference on reparation payments opened in London. De Valera released from Arbour Hill barracks.
- 18 Major Imbrie, U.S. Consul in Teheran, murdered.
- 23 His Majesty's Government refuses to adhere to Treaty of Mutual Guarantee.
Sao Paulo fell to Government forces.
U.S. Note to Persia called for military guard for U.S. Legation in Teheran and for cost of sending U.S. warship to take back the body of murdered Consul to America.
- 30 German Government refused to adhere to proposed Treaty of Mutual Guarantee.

August.

- 2 Inter-Allied Conference reached Agreement for putting Dawes Plan into operation. Invitation to German Delegation to attend Conference.
- 6 Arrest of assistant editor of the *Workers' Weekly*, J. R. Campbell, on charge of incitement to mutiny; charge subsequently withdrawn.
Mosul question referred by Great Britain to the League.
- 8 Anglo-Soviet Conference concluded a general and a commercial Agreement.
- 9 Agreement between the Reparation Commission and the German Government for carrying into effect the Dawes Plan signed in London.
- 9-11 Rioting by Egyptian soldiers at Albarah and Port Sudan.
- 13 Court of Inquiry set up to hear evidence on Sudan riots. British cruiser dispatched to Port Sudan.
- 15 Egyptian Government protested to Great Britain against proceedings in the Sudan. Battleship *Marlborough* arrived at Alexandria.
- 16 British Note to Egyptian Government announced responsibility for maintenance of order in Sudan.
- 16-20 Further disturbances in Sudan.
- 17 All-India Swarajist Conference decided to throw out Budgets and refuse supplies until system of Government was altered.
- 20 Agreement between Great Britain and Canada for settlement of 3000 British families upon farms in Canada.
- 26 Final protocols of London Reparation Conference signed.

Our Own Times

1924.

August.

- 28 Evacuation of the Ruhr began. Completed November 1924.
- 29 Wahhabis invaded the Hedjaz.

September.

- 1 Owing to reverses of Spanish Army, further eight battalions were ordered to Morocco.
- 3 Egyptian members of Sudan Administration and other members of White Flag League arrested at Khartoum on ground of conspiracy against Government.
Mr. MacDonald and M. Herriot present at League Assembly.
- 4 Speech of Mr. MacDonald to the League Assembly. Condemned policy of alliances and advocated system based on arbitration to be worked out at an International Conference.
- 5 Speech of M. Herriot to League Assembly, welcomed MacDonald's advocacy of arbitration, but urged that force should be behind arbitration and supported Draft Treaty of Mutual Guarantee.
- 6 Joint resolution of Mr. MacDonald and M. Herriot on disarmament was passed unanimously by the League Assembly.
- 9 In anticipation of defeat of Chekiang forces near Shanghai, 1100 British, American, Japanese and Italian sailors were landed for defence of International Settlement.
- 13 Dispute between farmers and dairymen as to price of milk settled. Producer to receive 1s. 6½d. a gallon for winter months and 1s. for summer months.
- 14 Turkish Delegation arrived in Geneva to discuss Mosul dispute.
- 15 President of Republic of Georgia appealed to the League for aid in fighting Bolsheviks.
- 17 Association of British Chambers of Commerce, the Federation of British Industries and Chamber of Shipping in the United Kingdom condemned Anglo-Russian Treaties.
- 24 General Council of Trades Union Congress decided to appoint a delegation to visit Russia as Commission of Investigation.
- 25-October 3 Conversations in London between Mr. MacDonald and Zaghul Pasha.
- 27 League approved Anglo-Iraq settlement.
- 28 American airmen, Lieutenant Nelson and Lieutenant Smith, completed flight round the world.
- 29 General withdrawal to the coast of Spanish forces in Morocco.
- 30 League Council decided to appoint a Committee of Three to investigate Mosul dispute between Great Britain and Turkey.

October.

- 1 League Assembly discussed Draft Arbitration Protocol. Lord Parmoor and M. Briand delivered speeches in favour of it.
- 2 France, Czechoslovakia, Greece, Jugoslavia, Portugal, and Poland signed Arbitration Protocol.

Selected Chronology

1924.

October.

- 2 France signed clause in Statute of Court of International Justice respecting compulsory arbitration in disputes.
Resolutions passed at League Assembly (1) approving Arbitration Protocol; (2) requesting League Council to call Disarmament Conference next year.
- 3 Wahhabis at the gates of Mecca. King Hussein of the Hedjaz abdicates in favour of his son, Sherif Ali.
- 5-14 Anglo-Turkish dispute as to definition of *status quo* both had agreed to respect pending League decision.
- 8 Government defeated on Liberal amendment calling for a Select Committee to inquire into withdrawal of prosecution of assistant editor of the *Workers' Weekly*.
- 9 Following on defeat of the Government, Prime Minister asked for Dissolution of Parliament.
- 10 Parliament dissolved.
Agreement between Allies and Germany on issue of "Dawes Loan."
- 12 Death of Anatole France.
Shanghai War ended. Lu Yung-hsiang, Commander of Chekiang forces, fled to Japan.
- 14 British Government asked for meeting of League Council to define *status quo* in Mosul dispute.
- 16 Primo de Rivera appointed Commander-in-Chief and High Commissioner in Morocco.
- 19 Wahhabis entered Mecca. King Ali left for Iraq.
- 21 Greek Government appealed to the League of Nations to intervene in respect of expulsion of Greeks from Constantinople, in contravention of regulations for exchange of populations.
- 24 Publication of the "Zinovieff Letter."
- 25 M. Rakovsky, Soviet Chargé d'Affaires, declared Zinovieff letter to be a "clumsy forgery." British Communist Party also denounced letter as forgery.
- 26 Ordinance of Government of India gave Government of Bengal extraordinary powers to suppress revolutionary crime. Arrest of terrorists followed.
De Valera arrested at Londonderry and lodged in Belfast Gaol.
- 28 Fascist Militia in Italy took Oath of Allegiance to the King and thus became a constitutional force.
U.S.S.R. recognized by France.
- 29 League Council fixed the provisional frontier between Turkey and Iraq.
- 30 Result of General Election. Unionist, 411; Labour, 150; Liberal, 39; Constitutionalist, 7; Others, 5.

Our Own Times

1924.

November.

- 1 British Empire Exhibition at Wembley closed.
- 2 Resignation of President Tsao Kun (Central Government). Provisional Government appointed.
- 4 Fascisti attacked processions of Combattenti in Rome during Armistice Day ceremony.
Labour Government resigned. Mr. Baldwin summoned by the King to form a Government.
- 5 Mr. Coolidge elected President of the United States.
Ex-Emperor of China (Mr. Pu Yi) refused to sign new abdication agreement and fled to Japanese Legation (November 29th).
- 6 First meeting of the Irish Boundary Commission.
- 19 Sir Lee Stack, Sirdar of Egyptian Army and Governor-General of the Sudan, assassinated.
- 21 British Government declared its belief in genuineness of "Zinovieff Letter" and refused to ratify treaty of August 8th.
- 22 British Note to Egyptian Government demanded immediate withdrawal of Egyptian troops from the Sudan, apology for murder of the Sirdar and fine of £500,000.
- 23 Egyptian Government rejected British demands for withdrawal of Egyptian troops from the Sudan.
- 24 Alexandria Customs seized by British Marines. Zaghlul Cabinet resigned and new Cabinet formed by Ziwar Pasha.
- 29 Egyptian Government accepted condition in British Note of November 22nd.

December.

- 1 Marines withdrawn from Alexandria Customs House.
Mussolini addressed Circular to Fascist organizations, exhorting them to abandon illegalities and violence and to purify the Party from all discreditable elements.
- 2 Anglo-German Commercial Treaty signed.
- 4 On recommendation of British Government, King of Egypt appointed Sir Geoffrey Archer to be Governor-General of the Sudan.
- 8 Spain signed the Geneva Protocol for Arbitration.
£1 sterling rose to \$4.70 in London.
- 9 Powers signatory to Washington Agreement announced that they would support the Provisional Government in China on condition that it would respect treaties contracted by previous Chinese Governments.
- 12 Spanish withdrawal in Morocco successfully completed.
Insurrection in Albania.
- 19 Albania appealed to the League of Nations, attributing insurrection to Yugoslav influence.
- 24 Insurgents under Ahmed Bey Zogu overthrew the Nationalist Cabinet in Albania.

Selected Chronology

1924.

December.

- 27 Ahmed Bey Zogu became Dictator of Albania.
- 31 Italian Government suppressed Opposition Newspapers.

1925.

January.

- 1 Minimum fares on Underground Railway reduced from 1½d. to 1d.
- 3 Mussolini accepted responsibility for Fascist deeds of violence. Two Liberal Ministers and the Minister for Justice resigned from Cabinet.
- 5 £1 sterling rose to \$4.77½ in London.
- 6 New Italian Cabinet was formed of Fascists only.
- 8 Dean and Chapter of St. Paul's appealed for funds for restoration of the Cathedral. *The Times* opened Fund.
- 14 Agreement reached by Allied Finance Conference *re* division of Reparation receipts from Germany signed in Paris.
- 15 Herr Luther formed a Cabinet. Herr Stresemann Minister for Foreign Affairs.
- 20 Russo-Japanese treaty for resumption of relations signed.
- 23 Chilean Government deposed by the military junta at Santiago.
- 25 Treaty of Alliance between France and Czechoslovakia.
- 27 Raysuni and his treasure in Morocco captured by Abd-el-Krim.
- 30 Ecumenical Patriarch, Mgr. Constantine VI, expelled from Constantinople by order of Angora Government.

February.

- 1 Greek Government protested to Turkey against expulsion of the Ecumenical Patriarch.
- 3 White Paper on Safeguarding of Industries issued.
- 6 Turkish reply to Greek Note respecting the expulsion of the Ecumenical Patriarch insisted that he was a subject covered by Exchange of Populations Agreement and deported as such.
- 19 International Drug Convention signed at Geneva.
- 28 Death of Herr Ebert, President of Germany.

March.

- 3 Lord Oxford in the House of Lords criticized Government for decision not to evacuate Cologne on June 10th.
 - 4 President Coolidge gave his award as arbitrator in dispute between Chile and Peru.
 - 5 Mr. Austen Chamberlain made statement in the House on foreign policy. Mr. Kirkwood (Labour) suspended for interruption, and as protest whole of Labour Party left the House.
 - 12 Great Britain refused to sign the Protocol: statement to League Council.
- Army Estimates for 1925-26, £44,500,000. A reduction of £500,000 on year 1924-25.

Our Own Times

1925.

March.

12 Death of Sun Yat-Sen.

13 Navy Estimates for 1925-26, £60,500,000. Increase of £4,700,000 on 1924-25.

Result of Egyptian Elections. Zaghlulist, 101; anti-Zaghlul, 105.

22 Indian Legislative Assembly passed the Finance Bill with amendment restoring the Salt Duty to 20 annas.

23 Heated debate in House of Commons *re* Government's decision to proceed with Singapore Naval Base.

24 Indian Legislative Assembly rejected the Bengal Supplementary Criminal Amendment Bill. The Bill was certified.

25 Lord Balfour's visit to Jerusalem. Arab protests.

27 Award of Lord Burnham on teachers' salaries.

April.

1 Retail price of milk reduced to 6d. per quart.

3 Belgian-Dutch Agreement with regard to the Scheldt signed at The Hague.

6 Protest meetings in Italy against coercion of the Press.

8 Agreement between British and Australian Commonwealth Governments for providing capital for settlement of British emigrants in Australia.

Street rioting in Damascus by Arabs in hostility to Lord Balfour.

13 Rifi offensive began in French zone.

15 Change of Government in France. Painlevé Ministry.

16 140 persons killed by bomb explosion in Sofia.

18 Austrian Government asked League to appoint experts to investigate economic position.

20 Bulgarian Government published details of Communist rising, and applied to the Allies for permission to increase its Militia forces.

22 Conference of Ambassadors agreed to increase of Bulgarian Militia.

23 Treaties between Poland and Czechoslovakia for Commerce and Arbitration signed in Warsaw.

26 Field-Marshal von Hindenburg elected President of German Republic.

27 Ministry of Agriculture issued report on co-operative marketing of agricultural produce in England and Wales.

28 Mr. Winston Churchill introduced his Budget. Reductions in tax, and resumption of the gold standard announced.

May.

1 Cyprus proclaimed a British Colony.

5 Gold Standard Bill passed in the Commons.

7 Report of the East Africa Commission issued.

8 First Report of the Royal Commission on Food Prices.

10 British Empire Exhibition at Wembley (second year) opened by the King.

Selected Chronology

1925.

May.

- 12 President von Hindenburg issued a manifesto to the people, appealing to them to free German name from the unjust taint which still clung to it.
French Budget. Deficit of 4 milliards of francs (£42 million) disclosed.
- 17 U.S. Government informed nine debtor nations that funding agreements should be made for repayment of war debts to the U.S.
Martial Law abolished in Spain.
- 20 Sir George Lloyd succeeded Lord Allenby as High Commissioner for Egypt.
- 26 Trotsky Chief of Scientific and Technical Department of the Supreme Economic Council of Russia.
- 30 Great West Road opened by the King.
Conflict between Chinese and police in the Shanghai International Settlement.

June.

- 1 General strike in Shanghai: series of riots: state of emergency declared.
- 7 French franc dropped to 103 to the £1 sterling in Paris.
- 11 Riots and attacks on foreigners at Hankow, Peking, Tientsin, etc.
- 12 Yunnanese driven out of Canton and the Kuomintang in possession of the city.
- 15-18 Negotiations at Shanghai between Powers and China. Chinese introduced demands unconnected with riots.
- 17 Conference on the Control of International Trade in Arms and Armaments concluded and Convention signed by eighteen states.
- 18 White Paper issued gave texts of German proposal for Rhineland Guarantee Pact, together with correspondence between British and French Governments.
- 21 Indians in Kenya decided to co-operate with the Government, and selected five members to sit on Legislative Council.
- 23 Riots in Canton when Foreign Concession was fired on.
Conference between Diplomats and Commission appointed by the Chinese Government opened.
- 24 Chinese Note to interested Powers stating that unequal treaties must be revised.
- 25 Military *coup d'état* in Athens. Michalakopoulos Cabinet overthrown by General Pangalos.
- 27 British Government's Note to debtor countries inviting them to reach settlement.
- 29 Transfer of greater part of Jubaland, Kenya Colony, to Italian sovereignty took place.
- 30 Coal-owners gave notice to Miners' Federation to terminate existing National Wages Agreement on July 31st.

Our Own Times

1925.

June.

- 30 China Indemnity (Application) Act became law. British quota of Boxer indemnity to be used for purposes beneficial to mutual interests of England and China.

July.

- 1 Kuomintang Government (sixteen Commissioners) formed in Canton.
Lira fell to 143 to the £1 in Rome Bourse.
- 3 Delegate Conference of the Miners' Federation rejected coal-owners' proposals for new agreement.
- 11 Franco-Spanish Agreement signed for co-operation in Morocco. Peace terms decided on.
- 12 U.S. declaration *re* Mexico. Continued support of Government dependent on protection of American lives and interests.
- 13 Government decided to set up Court of Inquiry into causes and circumstances of threatened coal dispute.
- 16 King Feisal opened at Baghdad first elected Parliament of Iraq.
- 18 Hostilities began between France and the Druses in Syria.
- 21 At Dayton, Tennessee, Mr. Scopes found guilty and fined \$100·7 on charge of teaching the theory of evolution in a publicly supported school.
Abd-el-Krim's peace terms published.
- 23 British Naval programme announced. Two cruisers to be laid down in October, two in February, and thereafter annually three cruisers to be constructed.
- 29 Food Council appointed.
Rifi success against French in Morocco.
White Paper issued on Compulsory Labour for Government purposes in Kenya.
- 31 Coal-owners suspended for fortnight notice to terminate existing wages agreement. Government decided to give temporary subsidy to the industry.
Unemployment Insurance Bill passed final stage in House of Commons by 263 to 98 votes.

August.

- 1 Cost of living 73 per cent. above July 1914.
- 2 Italian Royal decree granted an amnesty for all crimes committed from a political motive—except that of homicide.
- 4 Fighting between the rebel Druses and the French in the Jebel Druse.
- 5 Representatives of nine signatory Powers exchanged ratifications of two China Treaties signed at Washington on February 6th, 1922.
Terms of Government subsidy to Coal Industry published.
- 7 Constitution of Broadcasting Inquiry Committee announced.
Mosul Commission's Report issued.

Selected Chronology

1925.

August.

- 10 First Report of the Imperial Economic Committee on marketing of food-stuffs grown in Overseas Dominions published.
- 12 Boycott of foreign ships at Canton.
- 13 Regulations issued by Ministry of Health governing use of preservatives in food and the sale of preservatives.
- 14 Air Ministry arranged a five years' contract with Imperial Airways Ltd. for commercial air-service between Egypt and India.
Irish Free State Government gave contract for hydro-electric development of the Shannon to German firm.
French-Spanish declarations refusing Rifi independence.
- 18 Agreement reached between American and Belgian Debt Funding Commissions.
Report of the Imperial Economic Committee on Dominion Meat Supplies issued.
- 19 Chinese Government sent to the Powers an invitation to a special Tariff Conference on October 26th, in Peking, in accordance with Nine-Power Washington Treaty.
- 20 Royal Commission appointed to examine and report on Indian exchange and currency system and practice.
- 22 Marshal Petain took command of French in Morocco.
- 27 M. Caillaux concluded his visit to London, having reached basis of agreement for settlement of French Debt to Great Britain.
- 28 British Government accepted invitation to Tariff Conference in Peking on October 26th.
- 30 Moderate elements expelled from Kuomintang. Government in control of Russians and "Cadets" under General Chiang Kai-Shek, Commandant of Cadet army.
- 31 Diplomatic relations between Great Britain and Mexico resumed.

September.

- 3 Royal Commission on coal industry appointed.
- 4 Note of the Washington Treaty Powers to China. Proposals for conditional modification of treaties: agreement to Tariff Conference.
Turkish Government decided to close all Dervish monasteries throughout Turkey and to regulate dress of religious persons.
- 8 A National Syrian Government proclaimed in Syria.
- 10 Offensive on French front in Morocco began.
- 11 At League Assembly, Chinese Delegate put forward plea for cancellation of "unjust treaties."
- 14 French successes in Morocco followed by submission of many tribes of the Wergha.
- 15 French Note to Germany conveyed invitation to Conference on Security Pact.
Powers' Note to China announcing Commission of Inquiry into Shanghai incident.

Our Own Times

1925.

September.

- 15 First Report of Royal Commission on Local Government issued.
- 20 League Council asked Hague Court for opinion as to its jurisdiction in Mosul dispute.
- 24 French garrison at Sueida, besieged by tribesmen of Jebel Druse since July, relieved by French column.
Resignation of Marshal Lyautey after thirteen years in Morocco.
- 25 League Assembly adopted a resolution on security, arbitration and disarmament.
- 26 Shanghai anti-British strike ended.

October.

- 2 Spanish troops entered Ajdir, the stronghold of Abd-el-Krim.
- 3 Franco-American provisional debt settlement for five years.
- 5 Locarno Conference opened.
- 15 Locarno Conference adopted text of Draft Security Pact.
- 16 Locarno Conference ended. Protocol signed and other documents initialled.
French franc fell to 109.25 to the £1.
- 19 Revolt in Damascus. French artillery shelled the city from heights of Salihiyeh.
Bulgarians attacked Greek outposts at Belles and fight ensued.
- 21 Greek Government addressed Ultimatum to Bulgaria.
- 23 Greek troops invaded Bulgaria, bombarded open town of Petritch, and occupied it.
Bulgarian Government appealed to the League of Nations to intervene.
- 26 Græco-Bulgarian dispute brought before the League Council. Both parties ordered to retire behind frontiers.
Chinese Tariff Conference opened at Peking.
Lieutenant Doolittle of the U.S. Army won the Schneider Trophy in a Curtiss racer at speed of 232.572 m.p.h.
- 27 Admiralty announced further reductions in Navy, which included scrapping of "K" class of submarines.
French Government resigned. M. Painlevé formed a new Cabinet.
- 28 Greek forces withdrew from Bulgaria. League appointed a Commission of Inquiry.
- 30 Mr. Edward Wood (Lord Irwin) appointed Viceroy of India in succession to Lord Reading.
Mr. Mackenzie King defeated in Canadian Elections.
- 31 French Cabinet decided to recall General Sarrail, High Commissioner in Syria, as result of Damascus revolt.
Kajar Dynasty overthrown and Shah deposed in Persia. Riza Khan took control of Government.

Selected Chronology

1925.

November.

- 2 Primo de Rivera relinquished command in Morocco.
- 3 Druse raiders came within three miles of Damascus, and railway between Damascus and Haifa cut.
- 6 Agreements between Sir Gilbert Clayton's Mission and Ibn Saud, Sultan of Nejd, defining common frontiers of Iraq, Trans-jordania and Nejd signed.
- 14 Agreement reached at Washington for funding of the Italian debt to the U.S.A.
General Election in Australia. Victory for the Government. Labour obtained 27 seats out of 74.
Note of the Conference of Ambassadors to German Ambassador in Paris. Evacuation of Cologne zone to begin on December 1st.
- 20 Death of Queen Alexandra at Sandringham.
- 21 Hague Court held League Council's decision *re* Mosul to be binding.
- 22 Professor MacNeill, Irish Free State representative on the Boundary Commission, resigned.
- 27 Bill to ratify the Locarno Pact and to sanction entry of Germany into the League of Nations, adopted by Reichstag.
- 28 Change of government in France. Budget difficulties.
M. Briand formed a Cabinet.
Report of Commission on Græco-Bulgarian dispute.

December.

- 1 Treaty of Locarno and Subsidiary Agreements signed in London by British, French, Belgian, German, Italian and Czechoslovakian delegations.
- 3 Irish Boundary Agreement signed by representatives of British Government and two Irish Governments.
Military Directory in Spain replaced by Cabinet of Ministers.
Primo de Rivera became Prime Minister.
- 5 French captured Hasbeiya, the headquarters of the Druses in the Lebanon.
- 10 Royal Assent given to Irish Boundary Agreement Bill after it had been approved by a majority in the Dail.
- 12 Riza Khan elected King of Persia and proclaimed as Shahinshah Riza Shah Pahlew.
French operations against rebels around Damascus began.
- 14 League verdict in Græco-Bulgarian dispute: damages awarded to Bulgaria.
- 16 Third Reading of Safeguarding Bill carried in House of Commons.
Empire Settlement Agreement reached between Great Britain and Canada.
League Council's final decision in Turko-Iraq boundary dispute.
- 17 Treaty of neutrality between Soviet Russia and Turkey concluded.
- 18 Mexican Petroleum Law. All previous concessions required to be confirmed. No new concessions to foreigners.

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1925.

December.

- 20 Mandate issued in Peking laid down that henceforth Cabinet should be "responsible" and should carry out reforms in "accordance with wishes of the people."
- 21 King Ali abdicated the Throne of Hedjaz.
- 22 Mexican Government denounced Anglo-Mexican Treaty of 1888 as from December 22nd, 1926. General policy of treaty denunciation.
- 23 Report of Commission on rioting in Shanghai.
- 31 Crown Prince Carol of Rumania abdicated his rights.

1926.

January.

- 1 Amount paid in coal subsidy for four months, August–November, published as £8,698,458.
- 4 General Pangalos proclaimed a Dictatorship in Greece.
- 12 Extra-territoriality Commission opened in Peking.
Coal-owners' proposals to Coal Commission included return to eight-hour day, reduction in wages, and cut of 25 per cent. in railway rates.
- 13 Treaty between Great Britain and Iraq defining the relationship of the two countries.
- 19 German Cabinet formed under Herr Luther.
- 20 Appointment of Royal Commission on Agriculture and Rural Economy in British India.
- 27 Agreement for funding of Italian debt to Great Britain signed.
U.S. Senate voted for adherence to the Permanent Court of International Justice.
- 31 Last of British troops withdrew from Cologne.

February.

- 4 South African Colour-Bar Bill passed the House of Assembly.
- 10 Germany applied for admission to the League.
French franc fell to 133 to the £1.
- 12 Council of the League met and decided to convene an Extraordinary Assembly to consider Germany's application for admission to the League.
First Session of Disarmament Preparatory Commission.
- 17 Mr. Alan Cobham completed London to the Cape flight.
- 20 Report of the Food Council issued.
- 21 Mass demonstration at Hamburg of German Reichsbanner with contingent from Austria in favour of union of Austria with Germany.

March.

- 6 Swarajist Party decided to withdraw all its members from the Assembly and Council of State and from all Provincial Legislatures.

Selected Chronology

1926.

March.

- 8 League Council and Assembly met to consider membership of the Council and Germany's admission to the League.
- 10 Report of the Coal Commission issued.
Meeting of the five "Locarno Powers" at Geneva agreed that no other state than Germany could be elected to the Council at present meeting.
- 11 Irish Republican Party accepted the resignation of de Valera as leader.
- 13 Mr. Alan Cobham completed return journey from the Cape to London.
- 17 South African Senate rejected the Colour-Bar Bill.
Admission of Germany to the League adjourned until next session of the Assembly in September, owing to opposition to German seat on Council.
- 18 League Council appointed Commission of fifteen to study composition, number and methods of election to the Council.
- 19 International Conference in London on interpretation of the Washington Eight-Hour Day Convention.
- 24 Seven unions with a membership of 1,600,000 affiliated with the new Industrial Alliance.
The Matteotti trial at Chieti concluded. Unintentional homicide with exceptional circumstances. Nominal sentences given.
- 29 Cash on Delivery post service began.
French franc fell to 144 to the £1.

April.

- 2 Hindu-Moslem rioting broke out in Calcutta.
- 6 Renewed rioting in Calcutta when 1000 Mohammedan boatmen attacked police post in Eden Gardens and police were compelled to fire.
- 7 Mussolini shot at and wounded by an Irishwoman.
- 8 Soviet Government instructed its diplomatic agents in Poland and the Baltic States to negotiate Guarantee Pacts.
- 12 General Pangalos elected President of Greek Republic.
- 18 Rifi delegates met Franco-Spanish negotiators near Oudjda and received peace conditions.
- 19 U.S. Government sent Note to the League of Nations declining to take part in conference to discuss American reservations to adherence to the World Court.
- 23 Prime Minister met representatives of colliery owners and of the miners in joint conference.
- 24 German-Soviet Treaty signed in Berlin.
- 26 Communal rioting in Calcutta continued and work in docks was practically suspended.

Our Own Times

1926.

May.

- 1 Executives of trade unions affiliated to the Trades Union Congress decided to call a General Strike of vital services to begin May 3rd, failing a settlement of mining dispute.
Proclamation by the King declared a State of Emergency within meaning of Emergency Powers Act of 1920.
- 2 District Commissioners for organization of maintenance of supplies during strike appointed.
- 3 General Strike began.
Government appealed for volunteers to maintain public services and met with big response.
German Miners' Union issued manifesto promising support to British strikers.
- 4 Milk supply organized from Hyde Park depot and stations.
- 5 *The Times* issued news sheet in place of regular edition owing to printers' strike.
- 6 Sir John Simon made speech in the House of Commons on the legality of a strike with notice and the illegality of a General Strike without notice to cease work.
- 7 Breakdown of Franco-Spanish negotiations with Abd-el-Krim. Offensive renewed.
- 8 Prime Minister broadcast speech that General Strike must first be called off and then mining dispute could be settled.
T.U.C. returned cheque sent to the Council by the All-Russian Central Council of Trades Unions.
- 12 Prime Minister announced in the House of Commons that T.U.C. had announced to him their decision to call off the General Strike forthwith.
Miners refused T.U.C. proposals for settling dispute and took no part in cancelling strike.
Independent proposals by Sir Herbert Samuel for settlement of coal dispute accepted by T.U.C., rejected by miners.
- 14 Civil War in Poland. Warsaw seized by Pilsudski.
- 15 £1 sterling in terms of U.S. gold dollars rose above gold parity for first time for eleven years.
- 17 In Canton, Chang Kai-Shek, Commander of the Army, was placed in position of Supreme War Lord.
- 19 French franc fell to 172 to the £1.
- 20 Miners' Delegate Conference declined to accept Prime Minister's proposals for settlement of dispute.
- 26 Abd-el-Krim, the Rifi leader, surrendered unconditionally to the French.
- 27 Military authorities at Tientsin took over the Salt Administration and collected salt revenues in contempt of international obligations.
- 29 Military revolution in Portugal. General da Costa issued "pronunciamiento to end pronunciamientos."

Selected Chronology

1926.

June.

- 1 Franco-Turkish Agreement concerning Syrian affairs was signed at Angora.
- 2 British Government reserved judgment in matter of acquittal of four accused of recent murders in Cairo, and intended to take steps to ensure safety of foreigners in Egypt.
- 5 Mosul Agreement signed at Constantinople.
- 6 Adly Pasha formed a Cabinet in Cairo with a preponderance of Wafdists.
- 10 At League Council Meeting, Spain and Brazil withdrew from the Council. Council decided on decontrol of Hungarian finances by the League.
- 11 Note of British Government to Soviet Russia protested against transmission of money by institutions of Soviet Government for support of the illegal General Strike in Great Britain.
- 12 Brazil gave notice of retirement from League membership.
- 14 Franco-Spanish Conference on pacification of the Rif opened in Paris.
Defensive alliance between Rumania, Czechoslovakia, and Jugoslavia was formally renewed.
Iraq Parliament ratified Mosul Treaty.
- 15 Soviet Government replied to the British Note that Government could not forbid the Russian trade unions to send money to support trade unions of other countries.
French Cabinet resigned.
- 17 Home Secretary stated that Russia had transmitted £383,989 for support of the General Strike.
- 21 Empire Marketing Board was constituted provisionally.
M. Briand formed new Ministry.
Whole of the Opposition in Turkey arrested in connection with plot against the President.
- 22 Canadian House of Commons decided unanimously that ratification by Canadian Parliament was necessary before any treaty involving military or economic responsibility was valid for Canada.
- 23 Miners' Executive and the General Council of the T.U.C. agreed to unite against Government coal proposals.
- 29 Declaration by the French Government on necessity for stabilization of currency, settlement of inter-Allied debts, and electoral reform.

July.

- 3 Franc 183 $\frac{5}{8}$ to the £1, as compared with 129 $\frac{1}{4}$ in January.
- 7 1,638,600 unemployed. (Exclusive of miners on strike.)
- 12 Visit of Caillaux to London *re* Anglo-French Debt.
- 13 June trade returns showed virtual disappearance of coal exports. (Due to strike.)
Franco-Spanish Treaty *re* Morocco.

Our Own Times

1926.

July.

- 16 Franc 200 to the £1.
- 19 Fall of Briand-Caillaux Cabinet.
- 20 Franc 235 to the £1. Herriot Cabinet.
- 22 Herriot Cabinet defeated. Poincaré takes office. Cabinet of Union Sacré. Franc rises to 213 $\frac{3}{4}$.
- 27 Round-about traffic system in Piccadilly Circus.
- 29 Restrictions on imports of foreign coal removed.

August.

- 1 Mexico under Interdict—struggle with the Church.
- 7 Pact of Madrid between Spain and Italy.
- 12 Conference on International Law at Vienna ended.
- 17 Defensive treaty between Yugoslavia and Greece.
- 23 Revolution in Greece. Pangalos dictatorship abolished.
- 24 Conflict between T.U.C. and Third International *re* Coal Strike. T.U.C. accused of "sabotage."
- 26 Internal divisions in Bolshevik Party *re* New Economic Policy.
- 27 Execution of Nazim Bey and Javid Bey—last surviving "Young Turk" leaders.
- 30 Civil War in China spreading. New campaign opened.

September.

- 6 Martial Law in Spain. Revolt of Artillery Officers. Meeting of the League Assembly. Spain declined to attend. Referendum in Australia on Commonwealth Regulation of Industry.
- 9 Women's Suffrage Campaign in France. Admission of Germany to the League by unanimous vote. Increase of non-permanent seats from 6 to 9, despite protests of Holland, Sweden and Norway.
- 10 Uprou in T.U.C. meeting *re* dictation from Moscow.
- 11 Attempt to assassinate Mussolini. 300 arrests.
- 13 Spain gives formal notice of withdrawal from the League. Plebiscite in Spain in support of Primo de Rivera (Marquis d'Estella).
- 14 General Election in Canada. Liberal victory.
- 16 Treaty between Italy and Rumania.
- 17 Hurricane in Florida. Heavy loss of life.
- 24 Canton Government proposed raising of trade boycott if Foreign Powers would agree to increased taxation on imports.
- 25 T.U.C. censured "Imperialistic Policy in China."
- 28 Bank of France besieged with people anxious to save the franc by selling gold and silver coins.
- 29 Conversion offer. 1927 5 per cent. Treasury Bonds to be converted to 4 $\frac{1}{2}$ per cent. at 99.

Selected Chronology

1926.

October.

- 1 Soviet-Lithuanian Treaty, complementary to Soviet-German Treaty.
Return of Alan Cobham from flight of 28,000 miles to Australia and back.
- 2 Distinguished anti-Fascists deprived of citizenship.
- 4 Trotsky and Zinovieff headed opposition to Stalin—open cleavages.
- 7 Canton Government announced new taxation and suspension of Salt Gabelle.
Creation of International Steel Cartel announced.
- 8 Paris Motor Show. Advent of the Saloon Car—only two British exhibits.
Coal Strike: 200,000 back at work, but miners decisively rejected by ballot the Government's third attempt at settlement.
Withdrawal of safety men.
- 15 Resignation of Lord Oxford from leadership of Liberal Party.
- 16 Cost of living 74 per cent. above July 1914.
- 18 Coal Strike in its twenty-fifth week.
- 19 Opening of the Imperial Conference.
- 20 Leading Bankers and Industrialists of Europe and America issued
"Plea for the removal of Restrictions upon European Trade."
- 21 Repeal of Prohibition Laws in Norway.
- 25 Stabilization of Belgian franc. 35 belgas to £1 (175 francs).
- 28 Fourth Anniversary of March on Rome. End of the "Napoleonic Year" of Fascism.

November.

- 1 Betting Tax (Churchill) came into force.
Bukharin at Communist Party Conference deplored widespread consolidation of Capitalist régime. World revolution at a standstill.
- 2 "Off-year" Elections in the U.S.A. Republican majority reduced.
- 3 Labour gains at Municipal Elections.
Skirts to the knee—and long gaiters (fashion notes).
- 4 Joint protest by the Powers against increased taxation in China.
- 5 Drastic Fascist measures: all opposition parties disbanded; foreigners who spread exaggerated news liable to fifteen years' imprisonment.
- 8 Cantonese victory. Power of Canton increasing.
American Federation of Labour declared Soviet régime "most menacing institution" in the world.
- 10 Mr. Baldwin at Lord Mayor's Banquet paid tribute to notable successes of the League.
- 11 Republican victory in Greek Elections.
- 12 Charter of British Broadcasting Corporation published.
- 13 Electricity Bill passed. Creation of Central Electricity Board.
- 15 Preparatory Committee for the World Economic Conference met.

Our Own Times

1926.

November.

18 Franc 130 to the £1.

22 Report of the Committee on Inter-Imperial Relations published.
Balfour definition of Dominion status.

14,000 miners returned to work on one day.

24 Imperial Conference ended.

27 Anti-foreign strike and boycott in Hankow. Cantonese approached Shanghai. Naval detachments landed.

Treaty of Tirana between Italy and Albania.

December.

1 End of Coal Strike in a series of regional agreements—after seven months.

6 General Elections in India. Swarajist reverses.
Death of Claude Monet.

9 President Coolidge's Message to Congress. Anticipated Budget surplus of 383 million dollars.

16 British Note to the Powers on Chinese policy. Suggested recognition of China's right to fiscal autonomy. Treaty rights out of date.

17 Revolution in Lithuania. Triumph of Peasant Party.
Fall of Marx Cabinet in Germany.

21 Mr. Oswald Mosley won Smethwick for Labour.

22 American Treaty with Panama published.

24 Coal shortage in London.

25 Death of the Emperor of Japan. Succeeded by Prince Hirohito.
American intervention in Nicaraguan Civil War.

28 Treaty of Arbitration and Conciliation between Italy and Germany.

31 Funding of Portuguese War Debt to Great Britain.

1927.

January.

1 Publication of the Hadow Report. (Education of the Adolescent.)
New Oil Laws in Mexico. Attack on American Dollar-Diplomacy.

3 Anti-British rioting in Hankow. Concession invaded.

6 Duke and Duchess of York left for Australia in the *Renown*.

7 Transatlantic Telephone Service London to New York opened.

Six more American warships sent to Nicaraguan waters.

British women and children removed from Hankow.

Sir Samuel Hoare arrived at Karachi after flight from England.

12 Broadcasting of moving pictures by wireless in New York.

13 Great Britain had in 1926 largest adverse visible Balance of Trade since 1919. £465,406,000. Due to coal stoppage.

League inquiry into causes of influenza.

18 Opening of the Council House at New Delhi by Lord Irwin.

19 British Cabinet decided to defend Shanghai.

20 A thousand Royal Marines left for China.

Selected Chronology

1927.

January.

- 25 The "Shanghai Defence Force" (three Brigades of Infantry) left for China.
Political crisis in Germany.
- 27 Herr Marx formed new Coalition in Germany.
- 28 Propaganda by wireless. Complaints of Bolshevik activities.

February.

- 3 Publication of British Note to China on lines of Note to the Powers of December 1926.
U.S.A. decided to appoint Ministers to Canada and the Irish Free State.
- 8 The Prayer-book Controversy began. Bishops' draft of proposed changes issued.
- 9 South African Flag Controversy.
- 10 Franco-Spanish Conversations on Tangier.
- 11 President Coolidge's Memorandum on the reduction of Navies.
- 18 The Chamber of Shipping expressed reviving confidence in the future of the industry.
- 19 U.S.A. to despatch further reinforcements to Marines in Nicaragua.
- 21 General Strike in Shanghai.
- 22 The Report of the Colwyn Committee on National Debt and Taxation.
- 24 British Note to Moscow requesting discontinuance of Soviet interference in British affairs.
Agreement between India and South Africa with regard to status of Indians in Africa.
British cruiser despatched to Nicaragua.
- 28 Soviet reply to British Note. Excuses for propaganda and counter-charges.

March.

- 4 Threatened end of Promenade Concerts after thirty-three years.
Reduction of £935,000 in Army Estimates, and £450,000 in Air Estimates, of Great Britain.
- 7 Earthquake in Japan. 2000 dead.
- 15 In 1926 deaths by street accidents in Greater London rose to over 1000 for the first time.
- 16 "The League of Nations . . . is steadily developing into a most useful centre for the transaction of International business. The mists of the early years are clearing away." (*The Times* Leader.)
- 19 Bi-centenary of Sir Isaac Newton.
- 21 Meeting of the Preparatory Commission for the Disarmament Conference.
- 23 Street fighting in Shanghai. Attack on the Settlement.
- 24 Fighting in Nanking. Attack on foreigners.
- 26 Duke and Duchess of York arrived in Sydney.
- 27 U.S.A. decided to send forces to China.

Our Own Times

1927.

April.

- 1 Causes of American prosperity. Report of British Government Delegation.
- 2 Revolt in the Rif.
- 3 U.S. Protest to Mexico against bandit outrage.
- 4 Trades Union Reform Bill introduced.
- 5 Lister Centenary.
- 8 Beam Wireless Service to Australia opened.
Taxi-cab fares reduced. 6d. minimum (London).
- 11 Settlement of Greek Debts Agreement.
- 13 Five-Power Note to China on Nanking outrages.
- 15 General Carmona Dictator and President of Portugal.
- 16 Chinese Government replied evasively to the Five-Power Note.
- 20 The Crisis in Japan. New Government formed, to deal with financial difficulties, under Baron Tanaka. Fifteen Bank failures.
- 21 Bank rate reduced from 5 per cent. to $4\frac{1}{2}$ per cent.
- 22 Split in Kuomintang. Attacks on "Reds."
Italian Labour Charter issued.
- 27 End of Third Session of Disarmament Commission.
- 28 Severe floods in the Mississippi area.

May.

- 4 Opening of the first World Economic Conference at Geneva.
- 9 Commonwealth Parliament Buildings at Canberra opened by the Duke of York.
- 10 Meeting of the Colonial Office Conference in London.
- 13 Police Raid on Arcos, Ltd.
- 14 Mississippi floods continued. 25,000 refugees.
"After the years of storm a certain routine, almost an inertia, of peace is being re-established. The state of Europe in 1927 is certainly immeasurably better than it was in 1923." (*The Times* Leader.)
- 16 South African Flag Bill introduced.
- 23 Lindbergh flew from New York to Paris, solo, in $33\frac{1}{2}$ hours.
Number of Unemployed lowest since 1920. (978,200.)
- 24 Mr. Baldwin announced termination of the Trade Agreement with Russia.
- 30 Japan decided to despatch troops to China.
- 31 Crisis in Egypt. British Note to Cairo *re* control of the Egyptian Army.
Colonial Office Conference ended.

June.

- 3 B.B.C. came to the financial rescue of the Promenade Concerts.
Soviet Officials left London.
- 4 Yugoslavia and Albania broke off Diplomatic Relations.

Selected Chronology

1927.

June.

- 4 Albania appealed to the League.
- 14 Irish Free State Elections. Victory for Fianna Fail.
- 16 Egyptian controversy ended.
- 20 Conference at Geneva on Limitation of Naval Armaments.
- 23 Mr. Cosgrave President of Irish Free State. De Valera's party still refused to take the Oath.
- 27 Record incomes in U.S.A. 207 people with incomes of a million dollars a year, or over.
- 29 Total eclipse of the sun.

July.

- 6 Church Assembly approved the Prayer-book Measure, 1927.
- 10 Murder of Kevin O'Higgins.
Arrest of twenty-five members of the British Intelligence Service in Moscow.
- 13 Heavy new Taxation introduced in China.
- 15 Report of the Committee on Closer Union in East Africa.
Rioting in Vienna by Socialists.
- 20 Death of King Ferdinand of Rumania.
- 23 Formation of the Indian Broadcasting Company.
- 29 Trades Union Reform Bill received the Royal Assent.

August.

- 4 Naval Limitation Conference ended in failure.
Sacco-Vanzetti Case. Reprieve refused.
- 5 Sacco-Vanzetti protests in New York and Paris.
- 7 Dedication of the Peace Bridge between Canada and U.S.A.
Bomb outrages in New York, Philadelphia and Baltimore.
- 8 Sacco-Vanzetti demonstration in London, Paris, Cape Town and Munich.
- 10 Fianna Fail Party decided to take the Oath and their seats in the Dail.
- 17 Franco-German Trade Agreement.
- 23 Sacco-Vanzetti Case. Serious anti-American riots at Geneva.
- 25 Anti-Japanese riot near Mukden.
- 26 Dissolution of Dail Eireann.
- 30 Lord Cecil resigned from the Cabinet on question of Disarmament.

September.

- 8 T.U.C. break with the Russian Trade Unions.
Polish proposal for the outlawry of war.
- 12 National Consultative Assembly convoked in Spain.
- 13 Nine "Anglo-Finnish spies" sentenced to death, out of twenty-six arrested.
- 15 Canada elected a non-permanent member of the League Council.
- 18 At Dedication of Tannenberg Memorial von Hindenburg repudiated German responsibility for the War.

Our Own Times

1927.

September.

- 20 Irish Free State Elections. Cosgrave obtained 79 seats out of 152.
- 21 New Zealand offered £1 million towards Singapore Naval Base.
- 22 Abolition of Slavery in Sierra Leone Protectorate.
- 26 Great Britain won the Schneider Seaplane Race at Venice, at an average speed of 281 m.p.h.
- 29 Franco-German Controversy over Tannenberg speech.

October.

- 2 Telephone Service between Great Britain and Canada opened. President Hindenburg's eightieth birthday celebrated in Berlin.
- 4 International Radio Telegraph Conference opened in Washington.
- 7 Revolt in Mexico spreading. Many Generals executed.
- 10 Decisive defeat of Mr. Lang's (Labour) Government in N.S.W. Elections.
- 11 Meeting of the new Dail. Mr. Cosgrave elected President by 76 votes to 70.
- 12 Mr. Bennett elected leader of the Conservative Party in Canada.
- 14 First non-stop flight across South Atlantic by two French airmen (Captain Costes and Lieutenant Le Brix) in about twenty hours.
- 15 1,000,000 houses built in England and Wales since the Armistice. Tenth Anniversary of Bolshevik Revolution celebrated in Leningrad.
- 24 Agreement reached by General Hertzog and General Smuts with regard to South African Flag. (Subsequently ratified by Parties.)
- 25 Expulsion of Trotsky and Zinovieff from Central Committee of the Communist Party announced.

Mr. Snowden announced that the financial position of the country was far more precarious and far weaker than it was three years ago.

November.

- 3 Labour gains at the Municipal Elections.
- 11 Treaty between France and Jugoslavia.
- 12 First Automatic Telephone Service installed in London.
- 15 Trotsky and Zinovieff expelled from the Communist Party.
- 16 Mr. Cosgrave defeated in the Dail.
- 18 Mexican Oil Law. Mexican Supreme Court sustained U.S. claim.
- 22 Treaty of Defensive Alliance between Italy and Albania.
- 23 India (Statutory Commission) Bill passed.
- 27 Vilna Dispute between Poland and Lithuania. Polish appeal to the League.
- 30 Fourth Session of Preparatory Commission on Disarmament opened.

December.

- 1 Australian Dock Strike.
- 3 Disarmament Commission closed.
- 6 President Coolidge's message to Congress. Big Navy programme.

Selected Chronology

1927.

December.

- 11 "State of War" between Lithuania and Poland came to an end, thanks to League intervention.
- 12 Prayer-book Measure, 1927. Debate in the House of Lords began.
- 14 Treaty between United Kingdom and Iraq. Iraq recognized as an Independent Sovereign State.
- 15 Prayer-book Measure, 1927, defeated in the House of Commons.
- 16 2000 "Reds" killed in Canton.
- 18 Moscow sent Note to China protesting against anti-Communist measures.
- 22 Unemployment Insurance Bill received the Royal Assent. Stabilization of the lira at 92.46 to the £1.
- 26 Indian National Congress decided to boycott the Simon Commission.
Record falls of snow. Snow-bound Christmas.
- 28 Mr. Kellogg's Note to France *re* Pact to outlaw war.

1928.

January.

- 2 Severe floods in the Thames area.
Fighting in Nicaragua. American casualties.
- 4 Persia claimed the Bahrein Islands.
- 5 Mr. Kellogg's Note to M. Briand, renouncing war as an instrument of national policy.
- 6 Banishment of Trotsky to Russian Turkestan.
- 8 M. Briand's reply to the Kellogg Note.
- 11 American Naval Secretary introduced big Navy programme.
- 12 Mond Conference on Co-operation in Industry.
Death of Thomas Hardy.
- 16 Meeting of the Sixth Pan-American Conference at Havana.
American air-attack on Nicaragua.
- 19 Simon Commission left for India.
- 29 Death of Earl Haig.

February.

- 1 Appointment of British High Commissioner in Canada.
- 3 Simon Commission arrived at Bombay.
- 4 Arbitration Treaty between U.S.A. and France.
- 8 Fall of the first Socialist Government in Norway after a fortnight in office.
- 14 Opposition in America to big Navy programme.
- 15 Death of Lord Oxford.
Fall of Herr Marx's Fourth Coalition Government.
- 18 Indian Assembly passed resolution to boycott the Simon Commission.

Our Own Times

1928.

February.

- 19 Malcolm Campbell set up a new speed record at Daytona Beach, 207 m.p.h.
- 20 First Election under manhood suffrage in Japan.
End of the Sixth Pan-American Conference.
- 22 Mr. Hinkler flew from England to Australia in sixteen days.
- 23 American Naval programme reduced.
Japanese Election result. Victory for the Conservative Government (Seiyukai Party.)

March.

- 4 Franco-Spanish Agreement about Tangier.
Egypt rejected Draft Treaty with Britain.
General Election in Poland. Pilsudski Prime Minister, with programme of Constitutional reform.
- 9 "Plot" to destroy Coal Mines in the Donetz basin.
- 13 Visit of King Amanullah to London.
- 17 Fifth Session of the Preparatory Commission on Disarmament met.
Spain rejoined the League of Nations.
- 18 National Peasant Demonstration in Bucharest against Bratianu Ministry.
- 19 M. Litvinoff at Geneva proposed complete abolition of all armaments.
Prayer-book Measure, 1928, issued.
- 20 Agreement between Great Britain and Transjordan.
- 31 Dissolution of the Reichstag.
Simon Commission left for England.

April.

- 1 Serious earthquakes in the Near East. Damage in Bulgaria estimated at £4½ million. Postponement of Reparation Payments.
- 4 U.S.A. reached Separate Settlement with China with regard to the Nanking outrages.
- 10 Dissolution of Communist organizations in Japan.
Disestablishment of Islam in Turkey.
- 12 Attempt to assassinate the King of Italy.
- 14 United States Note to the Powers on international renunciation of war.
- 16 Norway returned to the Gold Standard, as from May 1st.
- 19 5000 Japanese troops ordered to Shantung.
- 27 Church Assembly approved the Prayer-book Measure, 1928.
- 29 British Ultimatum to Egypt, with regard to Public Assemblies Bill.
- 30 French Election results. Victory for M. Poincaré.

May.

- 1 Egyptian Government withdrew the Bill in response to British Ultimatum.
- 3 Agricultural Credits Bill introduced.

Selected Chronology

1928.

May.

- 4 Fighting in Shantung between Chinese and Japanese.
- 11 Treaty between Great Britain and Persia *re* air route to India, and capitulations.
- 12 Japanese captured Tsinanfu.
- 14 Opening of the Consultative Economic Committee at Geneva.
- 16 Speculation in New York. Record volume of transactions. Five million shares sold.
- 18 Japanese Note to Nanking and Peking Governments on Inviolability of Manchuria.
- 20 General Election in Germany. Victory for the Social Democrats and the Communists.
- 21 British reply to American Note on Peace Pact, offering support in principle.
Report of the Consultative Committee on Economic Conditions. Tariff reductions recommended.
- 22 Return of M. Venizelos to Greek politics, following fall of Cabinet.
- 24 Trial of Alsatian Autonomists ended. Eleven out of fifteen acquitted.
- 25 Loss of the airship *Italia* on flight to the North Pole. (Amundsen.) Peking Government disputed Japanese claims.
- 27 Turko-Afghan Treaty. Turkish Military Mission sent to Kabul.
- 28 American investments abroad amounted to 671 million dollars in 1927.
- 29 Non-aggression Pact between Italy and Turkey.

June.

- 9 Captain Kingsford Smith succeeded in flying the Pacific in three stages—California to Brisbane.
- 10 Resignation of Chiang Kai-Shek as Commander-in-Chief of Nationalist Armies.
- 11 Nanking Government's Manifesto to the Powers, following occupation of Peking.
- 12 Græco-Soviet Commercial Convention abrogated.
Formal Resignation of the Marx Cabinet in Germany, following Socialist victory at General Elections.
- 14 The Prayer-book Measure, 1928, defeated in the House of Commons.
- 18 Miss Earhart flew the Atlantic, solo.
Soviet Government remitted Peasant Taxes, following failure of compulsory methods of grain collection.
Equal Suffrage Bill (the "Flapper Vote") passed both Houses.
- 20 Uproar in Belgrade Chamber. Deputies shot.
- 21 Princess of Rumania obtained a divorce from the exiled Prince Carol.
- 25 Stabilization of the franc at 124·21 to the £1.
The King of Egypt dismissed the Wafd Cabinet.

Our Own Times

1928.

June.

- 27 Liberal Cabinet in Egypt.
- 28 Coalition Cabinet in Germany, under Socialist Prime Minister (Herr Müller.)

July.

- 2 Nanking Government raid the Salt Administration Funds.
- 4 Bread shortage in Russia. Bolshevik Government bought in foreign wheat. (About 250,000 tons.)
Venizelos Cabinet in Greece.
- 5 Italian airmen flew from Rome to Brazil. Longest non-stop flight on record.
- 6 Donetz Trial. Eleven Russians sentenced to death; one German imprisoned. Protests from Germany.
- 17 Report of the Donoughmore Commission on the Constitution of Ceylon.
Rating and Valuation Act carried in the House of Commons. (Transference from certain rate-payers to tax-payers of burden of about £24,000,000 a year.)
Murder of General Obregon, President-Elect of Mexico.
- 19 Great Britain agreed to revised Kellogg Pact.
Egyptian Parliament dissolved, and Parliamentary régime suspended for three years.
- 20 Nanking Government denounced the Sino-Japanese Treaty.
- 24 Mr. Baldwin stated that unemployment in the mining industry was a National Emergency and issued an appeal to employers.
- 25 Revision of the Statute of Tangier. Equality of status for Italy.
- 27 New Tariff Treaty between U.S.A. and China.
Report of the Imperial Wireless and Cable Conference. "A new era in the history of Empire communication." (*The Times* Leader.)
- 31 Japanese Note to China, refusing to acquiesce in abrogation of Treaty Rights.

August.

- 3 Mr. Baldwin renewed pledges not to introduce Protection or to impose any taxes on food. Definition of Government Policy in response to growing clamour for Protection.
- 8 Harvesters wanted in Canada. Over 10,000 British applicants.
Death of M. Raditch, Leader of Croats, from wounds received during fighting in the Chamber.
- 10 Settlement between Britain and China with regard to the Nanking outrages.
- 20 Greek General Election. Sweeping victory for Venizelos.
- 21 Prime Minister's appeal to 150,000 employers to help solve the problem of the depressed mining areas.
- 27 Signing of the Pact of Paris (Kellogg Pact). Signed by fifteen nations.

Selected Chronology

1928.

September.

- 1 Ahmed Beg Zogu proclaimed King of the Albanians.
- 2 President Calles of Mexico to retire. Proposal to end Dictatorship.
- 6 T.U.C. approved, by large majority, the principle of Co-operation in Industry.
Barnard and Alliot flew from India to England in less than $4\frac{1}{2}$ days.
- 10 Conversations at Geneva on the evacuation of the Rhineland.
German plea for general disarmament. Briand's tart reply.
- 11 Australian Dock Strike.
- 14 Spain celebrated Fifth Anniversary of Dictatorship.
- 16 Agreement at Geneva to set up Committee of Experts to investigate Reparation problem.
Severe hurricane in West Indies and Florida. 2000 dead.
- 18 Spanish airman flew from London to Paris in Autogiro.
- 22 Anglo-French Agreement on Naval Limitation published. Naval requirements to be estimated by categories.
- 23 Pact of friendship and arbitration between Greece and Italy.
Australian Dock Strike. Docks patrolled by police—hold-up of shipping.
- 24 Public Safety Bill rejected by Indian Assembly.
- 26 General Act for the Pacific Settlement of International Disputes adopted by League Assembly.
Turkish Government decided to make Latin alphabet compulsory, as from December 1928.
- 27 Simon Commission returned to India. To be assisted in their investigations by a Central Indian Committee, selected by the Viceroy from Central Legislatures.
- 29 U.S. Note to London and Paris refusing to adopt Anglo-French compromise on Naval Limitation.

October.

- 4 Labour Party Conference. Financial policy defined. Increased taxation and public control of the Bank of England.
- 7 Socialist riots in Austria.
- 10 Royal Commission on Police Powers and Procedure began work.
(Sequel to "Savidge Case.")
New Government in China. Chiang Kai-Shek President.
- 11 Agreement between Greece and Jugoslavia *re* Jugoslavian free zone in Salonika.
- 12 Señor Irigoyen (Radical) President of Argentina.
- 16 "Graf Zeppelin" crossed the Atlantic.
- 19 Australian Dock Strike ended.
- 28 Tenth Anniversary of the Czechoslovakian Republic.

November.

- 1 Bulgarian Stabilization Loan Agreement.
- 2 Lord Mayor's Appeal for the stricken coal-fields.

Our Own Times

1928.

November.

- 3 Socialist gains at Municipal Elections. 111 seats in the Provinces, and 71 in London.
- 6 Resignation of M. Poincaré.
- 7 Mr. Hoover defeated Governor Smith in American Presidential Election, by 20 million votes to 13 million.
- Eruption of Mount Etna.
- 9 "I believe that wireless—ordinary common or garden wireless—is going to be one of the greatest bonds between the common people of the whole world." (Mr. Baldwin at the Guildhall Banquet.)
- 10 Enthronement of the Emperor of Japan.
- 11 M. Poincaré formed new Government. Socialists refused to co-operate.
- 13 Local Government Bill, 1928 (De-rating), issued.
- 14 New Government in Rumania under Dr. Maniu, Leader of the Peasant Party.
- 16 General Elections in New Zealand. Liberal victory.
- 17 General Elections in Australia. Bruce-Page Ministry returned with decreased majority.
- 21 Illness of King George V.
- 27 It was decided to build new headquarters for the B.B.C. in Portland Place.
- 29 Prosperity in France. Mr. Cahill's Report on Economic Conditions in France, 1928.
- 30 "Business in nearly all branches was on a level rarely, if ever before, attained . . . and the standard of living of the masses of the people remained higher than anywhere else in the world." (Mr. Hoover's Report as Secretary of Commerce for the fiscal year ended on June 30th, 1928.)

December.

- 2 Settlement of the Ottoman Debt question ratified by the Turkish Assembly.
Day of prayer for the recovery of the King.
- 4 Council of State appointed to act for His Majesty during his illness.
- 5 Rebellion in Afghanistan, due to King Amanullah's reforms.
- 6 Australian "Peace in Industry" Conference opened at Melbourne.
- 10 Bolivia and Paraguay severed diplomatic relations.
Fascist Grand Council "Constitutionalized."
- 11 Report of the Joint Committee of Cotton Trade Organizations emphasized increasing competition from the Far East.
- 12 Operation on the King.
Housing Subsidy reduced by £25 per house.
Eight new Bureaux for Imperial Agricultural Research set up.
General Election in Rumania. Large majority for Peasant Party.
333 out of 387 seats.

Selected Chronology

1928.

December.

- 16 Fighting between Bolivia and Paraguay in progress.
- 17 Twenty-fifth Anniversary of the first aeroplane flight by Wilbur and Orville Wright. (260 yards.)
The League Council, the Pan-American Conference and the Spanish Government offered to mediate in the Chaco dispute.
- 19 Fashion decreed that for evening wear women must wear frilly dresses and long skirts.
Afghan Rebellion. Kabul isolated.
- 21 Serious gas-explosion in London.
- 23 Women and children removed from the Kabul Legation to India by air.
- 30 Resignation of the Coalition Government in Yugoslavia.

1929.

January.

- 3 Bolivia and Paraguay agreed to submit their dispute to the Pan-American Union.
- 5 Parliamentary Government suspended in Yugoslavia. Dictatorship of King Alexander.
- 8 Press Law passed in Yugoslavia.
- 14 Habibullah attacked Kabul and compelled King Amanullah to abdicate. Civil War resulted.
- 16 National Farmers' Union demanded safeguarding for agriculture.
- 17 President Coolidge and Mr. Kellogg signed the Pact of Paris.
Report of the Hilton Young Commission on East Africa issued.
- 23 150 adherents of Trotsky arrested by the OGPU.
- 24 Dissolution of political parties in Yugoslavia.
- 29 Military revolt in Spain.

February.

- 3 International Loan for Rumania floated.
- 5 Mr. de Valera imprisoned in Belfast for lack of a permit.
- 9 Peace Pact endorsing Kellogg Pact signed by Russia, Poland, Esthonia, Latvia and Rumania.
The King went to Bognor to recuperate after his illness.
Mr. Baldwin refused to set up a Commission on safeguarding for the iron and steel industries.
- 11 Committee of Experts under Mr. Owen D. Young met in Paris to draw up new Reparation settlement.
Concordat between Italian Government and the Vatican.
- 13 President Coolidge signed Cruiser Bill providing for five new cruisers a year for three years.
- 14 Government raid on Socialist headquarters in Vienna.
- 18 Trotsky exiled from the U.S.S.R.
- 24 6000 Fascists and 18,000 Socialists marched through Vienna.

Our Own Times

1929.

February.

- 25 British Legation in Kabul reached India by air.
General Hertzog's Native Bills defeated.
- 26 Artillery Academy in Spain closed.

March.

- 1 German Trade Treaty with South Africa.
- 3 Military revolt in Mexico.
- 4 Inauguration of President Hoover.
- 10 President Hoover supported existing Government in Mexico with munitions and supplies.
- 12 Mond-Turner Report on Unemployment.
- 15 Bread ration cards introduced in Moscow.
- 21 Marriage of the Crown Prince of Norway to Princess Martha of Sweden.
- 22 The sinking of the S.S. *I'm Alone*.
- 25 Visit of British Delegation to Russia.
- 27 Local Government Act received the Royal Assent.
- 30 England-India Air Mail service started.

April.

- 3 Resignation of Mgr. Seipel, Chancellor of Austria.
- 8 Bombs thrown in Indian Legislative Assembly.
- 12 Viceroy's decision to ensure public safety by Ordinance, failing passage of Bill.
- 13 Simon Commission left Bombay for England.
- 22 New phase of Naval Disarmament question. Mr. Hugh Gibson's speech at the Preparatory Disarmament Commission.
- 24 General Election in Denmark. Socialist-Radical victory.
- 25 At the Sixteenth Conference of the Communist Party the Economic Five-Year Plan was adopted.
- 26 First non-stop flight between England and India by Jones-Williams and Jenkins. (50 hours, 48 minutes.)
- 30 End of Mexican Rebellion.

May.

- 1 Clashes between Fascists and Socialists in Vienna.
- 2 Visit of the Duke of Gloucester to Japan to present the Emperor with the Order of the Garter.
- 15 Sir Alan Cobham started on three months' propaganda tour to arouse interest in flying in 100 towns.
- 20 Withdrawal of Japanese troops from Tsi-Nan.
- 24 Dissolution of Parliament.
- 26 General Election in Belgium. Defeat of the Socialists.
- 30 General Election. Labour, 290; Conservatives, 260; Liberals, 59; Independents, 6.

Selected Chronology

1929.

June.

- 7 Publication of the Young Plan.
- 8 Labour Government under Mr. Ramsay MacDonald took office.
- 11 Intensification of anti-religious campaign in Russia urged at the Congress of the Anti-God Society in Moscow.
- 12 General Election in South Africa. Nationalist majority; virtual disappearance of the Labour Party.
- 15 The Durban riots.
- 17 Earthquake in New Zealand—worst since 1855.
- 21 Compromise between the Mexican Government and the Catholic Church.
- 22 Agreement between France and Syria *re* Turko-Syrian frontier.
- 23 Centenary of Catholic Emancipation celebrated in Dublin.

July.

- 2 Fall of the Tanaka Ministry in Japan. (Succeeded by Mr. Hamaguchi.)
- 9 Change of Government in Portugal. Ferraz Ministry took office.
- 10 Kingsford Smith arrived at Croydon, having flown from Australia in 12 days 14 hours in the *Southern Cross*.
Chinese seized the Chinese Eastern Railway and arrested Russian staff on charges of Communist propaganda.
- 13 Russia delivered an Ultimatum to China demanding release of Soviet citizens.
- 19 Soviet Government broke off relations with China.
- 24 Resignation of Lord Lloyd, High Commissioner for Egypt, announced by the Foreign Secretary.
Kellogg Pact accepted by the Senate.
- 25 Act passed in Rumania decentralizing Provincial Administration.
- 27 Resignation of M. Poincaré, owing to ill health.
- 29 M. Briand formed Cabinet.

August.

- 6 Hague Conference met to discuss the Young Plan. British interests vigorously defended by Mr. Snowden.
Fresh proposals published for an Anglo-Egyptian settlement, offering wide concessions subject to acceptance by the Egyptian Parliament.
- 23 Rioting in Jerusalem owing to disputes at the Wailing Wall.
- 24 Massacre of non-Zionist Jews at Hebron.
- 28 Agreement on Reparation reached at The Hague.

September.

- 5 Protocol of adherence to Permanent Court approved by U.S. Secretary of State at Geneva. (But not subsequently ratified.)
- 6 England-India Air Mail disaster at Jask.

Our Own Times

1929.

September.

- 7 Foundation-stone of the new headquarters of the League laid at Geneva.
Great Britain won the Schneider Seaplane Race over the Solent course.
- 9 Mr. W. Graham proposed an international two years' tariff truce at Geneva.
- 10 Defeat of Bruce Government in Australia, on a measure for amending the Arbitration system.
Fighting between Russians and Chinese in Manchuria.
- 13 Collapse of the Hatry group of companies.
- 17 Señor Rubio elected President of Mexico.
- 19 Great Britain signed the Optional Clause of the Statute of the Permanent Court.
Publication in Iraq of the news that the British Government would support the admission of Iraq to the League in 1932.

October.

- 1 Trade relations with Russia resumed.
- 2 First General Assembly of the Reunited Church of Scotland.
- 3 Death of Herr Stresemann. (Succeeded by Herr Curtius.)
- 4 Mr. Ramsay MacDonald visited the United States.
Denmark: Socialist Government proposed to abolish Ministries of War and Marine and convert Army and Navy into a Constabulary and a State Marine.
- 7 Regents of Rumania to be elected by Parliament.
Serious Mutiny at the Colorado State Penitentiary. Fourteen guards and five convicts killed.
- 12 General Election in Australia. Labour victory.
- 16 Nadir Khan elected King of Afghanistan.
- 22 Mr. Scullin, Labour, Prime Minister of the Commonwealth of Australia.
Fall of Briand's Ministry.
- 23 Crisis in the New York stock markets. Sales of shares totalled a record of 19,226,400 shares.
- 24 Shaw Commission began investigation of Jerusalem riots.
- 26 England-India Air Mail disaster in the Mediterranean.
- 27 General Election in Czechoslovakia.
- 30 Publication of the correspondence between Sir John Simon and the Prime Minister suggesting the enlargement of the scope of the Commission Report to include the Native States. Decision to summon the Round Table Conference.
- 31 Lord Irwin's pronouncement on Dominion status.

November.

- 2 M. Tardieu became Prime Minister.
Execution of Habibullah.

Selected Chronology

1929.

November.

- 4 Appointment of the Macmillan Commission on Finance and Industry.
- 14 Decision to slow down the work on the Singapore Naval Base.
- 18 Russian invasion of Manchuria: fierce fighting: 2000 Chinese killed, twenty miles of railway destroyed.
- 21 Increase in Australian tariffs.

December.

- 3 Speaker's Conference on Electoral Reform appointed.
- 7 Reform of the Austrian constitution.
Coalition Government formed in Czechoslovakia.
- 12 New constitution for Ceylon accepted by Legislative Council.
- 16 Unemployment Insurance Bill passed—providing for increased allowances and extension of Transitional period. Estimated cost to the Exchequer: £12½ million.
- 19 Coal Mines Bill passed. Central Council to allocate quotas of production for each district. Working day fixed at 7½ hours.
- 21 General Election in Egypt. Large majority for the Wafd.
- 22 German Nationalist attempt to reject the Young Plan by referendum failed.
Protocol signed by Russia and China with regard to management of the Chinese Eastern Railway.
- 23 Attempt to assassinate the Viceroy of India.
- 28 Nanking Government proclaimed the abolition of "Extra-territoriality."
- 31 December index of wholesale prices in U.K. showed decline of 6.3 per cent. on December 1928.

1930.

January.

- 1 Wafd Ministry in Egypt under Nahas Pasha.
Congress Party resolved not to participate in Round Table Conference.
- 3 Second Hague Conference opened.
- 8 Marriage of Crown Prince of Italy to Princess Marie José of Belgium.
- 10 Japanese Government raised embargo on export of gold.
- 20 End of the Second Hague Conference. Adoption of the Young Plan.
- 21 London Naval Conference opened.
- 28 Resignation of General Primo de Rivera. Succeeded by General Berenguer.

February.

- 1 Memorial tablet to the murderers of the Archduke Franz Ferdinand unveiled at Serajevo.
Break in Argentine exchange. 5 per cent. depreciation of the peso.
- 6 Treaty of Friendship and Arbitration between Austria and Italy.

Our Own Times

1930.

February.

- 10 Crisis in Chicago and Canadian wheat-markets.
- 12 Houses of Convocation passed resolution of protest against religious persecution in Russia.
- 16 Attempts at constitutional reform in Spain.
- 17 Lords Beaverbrook and Rothermere announced formation of the Empire Free Trade Party.
Tariff Truce Conference opened at Geneva.
Fall of Tardieu Government in France.
- 20 General Election in Japan. Government majority.

March.

- 2 M. Tardieu formed new Cabinet in France after collapse of short-lived Chaumets Ministry.
Stalin ordered the slowing down of the movement for "collectivizing" Russian peasants.
- 4 Mr. Baldwin announced willingness to submit question of food taxes to a referendum.
Gandhi announced to Viceroy the beginning of the Civil Disobedience Campaign.
- 7 Break in Australian exchange. Premium on London increased from 50s. to 122s. 6d.
- 12 Gandhi's march to Dandi to break the Salt Laws.
Customs agreement between Japan and China.
- 16 Death of General Primo de Rivera, Marquis d'Estella.

April.

- 4 Import Restriction Bill passed in Australia.
- 9 Registered unemployed in Great Britain, 1,650,000—highest figure for eight years.
- 12 Austro-German Commercial Treaty.
- 14 Budget deficit of £14½ million—Income-tax raised to 4s. 6d. in the £1. Three safeguarding duties allowed to lapse.
- 16 Temporary Trade Agreement between U.K. and U.S.S.R.
- 22 London Naval Conference ended. Three-Power Naval Treaty between U.K., U.S.A. and Japan.
- 23 Rioting in Peshawar.
- 24 Trial of Croat leaders in Yugoslavia.
- 30 Wireless telephony service opened between England and Australia.
U.S. steel mills working up to 80 per cent. of capacity—increase of 40 per cent. on December 1929.

May.

- 5 Arrest of Gandhi.
- 8 Anglo-Egyptian negotiations broke down on question of the Sudan.
- 17 Bank for International Settlements opened at Basle.
Briand Plan for United States of Europe circulated to twenty-six European Governments.

Selected Chronology

1930.

May.

- 20 Resignation of Sir Oswald Mosley from the Labour Government.
- 22 New Constitution for Syrian Mandates promulgated. Refused by Nationalists.
- 23 "Literary Digest" poll in U.S.A. on Prohibition. 40·43 per cent. for repeal: 29·11 per cent. for modification: 30·46 per cent. for strict enforcement.
- 23-25 Severe slump on New York Stock Exchange.
- 24 Miss Amy Johnson arrived at Darwin after flying solo from England to Australia in twenty days.

June.

- 3 Permanent Mandates Commission to investigate Palestine rising of 1929.
- 6 Return of exiled Prince Carol to Rumania. Resignation of M. Maniu.
- 8 Rumanian National Assembly proclaimed Prince Carol King of the Rumanians.
- 9 Convention between Greece and Turkey. Exchange of populations.
- 10 Publication of the Simon Report, Part I.
- 12 France signed the Optional Clause of the Permanent Court Statute.
- 15 U.S.A. creation of Federal Farm Board.
- 16 Mixed bathing permitted in the Serpentine, Hyde Park.
- 17 Publication of the Simon Report, Part II.
Resignation of the Wafd Cabinet on question of constitutional reform.
Hawley-Smoot Tariff Bill passed in U.S.A.
- 21 Egyptian Parliament prorogued. Sidky Pasha Prime Minister.
- 23 General Strike in Spain.
- 24 Conservative Party Meeting approved attitude of Mr. Baldwin towards the United Empire Party.
- 26 Revolution in Bolivia. Establishment of Military Junta.
- 29 "Congress for the Defence of Law and Public Liberties" in Cracow.
- 30 New Treaty between U.K. and Iraq "on terms of complete freedom, equality and independence" to become operative on admission of Iraq to the League in 1932.
Congress Working Committee was declared an illegal body.

July.

- 1 Evacuation of the Rhineland in accordance with Hague Conference decision.
- 2 First German Emergency Decree to deal with budgetary crisis.
- 18. Socialists in Reichstag defeat Government. Hindenburg dissolves Reichstag.
- 19 King's Prize at Bisley won by Miss M. E. Foster.
- 21 London Naval Agreement ratified by American Senate.
- 22 Coal Mines Bill passed—after being twice amended by the Lords.
Agrarian Conference at Bucharest.

Our Own Times

1930.

July.

- 23 Earthquake in Naples—2000 dead.
- 28 General Election in Canada. Conservative victory.
- 30 Agrarian Conference at Sinai.

August.

- 1 Unemployment Act received Royal Assent.
- 2 Commercial Treaty between Italy and Russia.
- 5 Sir Otto Niemeyer addressed the Australian Federal Loan Council on need for financial reform.
- 15 Cathedral of Mexico City reopened.
- 23 Revolution in Peru. President Leguia deposed after dictatorship of eleven years.
- 25 Report of Permanent Mandates Commission on British Mandate in Palestine.
- 26 Murder of Calcutta Commissioner of Police—first of a series of outrages.
- 28 Conference at Warsaw between Agrarian States of Central and Eastern Europe.

September.

- 4 Prince Starhemberg Chief of the Austrian Heimwehr.
- 5 Revolution in the Argentine. General Iriburu replaced Dr. Irigoyen.
- 10 Arrest of Opposition Party leaders in Poland.
- 13 Price of rubber below 4d. per lb.
- 14 General Election in Germany. Nazi Party polled 6·4 million votes. (18 per cent.)
- 17 Irish Free State elected non-permanent member of League Council. New Canadian Tariff enforced.
- 23 Mass meeting of Republicans in the Bull ring at Madrid.
- 25 Fall of Schober Government in Austria. Clerical-Fascist Cabinet.

October.

- 1 Opening of the Imperial Conference. Anglo-Chinese Agreement *re* Wei-hai-wei and Boxer Indemnity.
- 2 Japan ratified Treaty of London.
- 5 Loss of airship R101. Death of Air Minister and Director of Civil Aviation. Balkan Conference at Athens.
- 6 Revolution in Brazil. Exchange Moratorium.
- 8 Dominion Premiers rejected Empire Free Trade, and proposed reciprocal Imperial Preference.
- 10 Ministry of Peasant Party formed in Rumania under M. Mironescu.
- 12 Credit of 125 million dollars to Reichsbank from U.S.A.
- 14 Peseta dropped to 50 to the £1.
- 16 Civil War in Brazilian coffee states.
- 18 Agrarian Conference at Bucharest.
- 23 New Constitution in Egypt. Absolutist government established.

Selected Chronology

1930.

October.

- 25 Marriage of King Boris of Bulgaria to Princess Giovanna of Savoy.
- 27 Australian Labour Caucus rejected Sir O. Niemeyer's proposals.
- 30 Treaty of Friendship and Arbitration between Greece and Turkey signed at Angora.
Mr. Baldwin at Emergency Meeting of the Conservative Party received a vote of confidence by 462 votes to 116.
Oustric Bank failure.
- 31 Success of Empire Free Trade Party at by-election.

November.

- 1 Labour losses at Municipal Elections.
- 4 "Off-year" Elections in U.S.A. Democratic gains. Deadlock in the Senate.
Dr. Vargas, with support of Military Junta, President of Brazil.
- 6 Preparatory Disarmament Commission met.
- 9 Elections in Austria. Socialist victory. Clerical-Socialist Cabinet.
- 10 Agrarian Conferences at Warsaw and Belgrade.
- 12 Opening of the First India Round Table Conference.
- 14 General Strike in Spain.
Close of the Imperial Conference. Question of Empire Trade adjourned to the future Conference at Ottawa.
- 16 Marshal Pilsudski secured a majority at Polish Elections.
- 18 Sino-Dutch Commercial Treaty. Tariff autonomy of China finally established.
Budget deficit of 729 million liras in Italy. Announcement of 12 per cent. cut in public salaries.

December.

- 1 Further loan of £10 million to Unemployment Insurance Fund.
Appointment of Royal Commission on Unemployment Insurance.
Second German Emergency Decree.
- 4 Fall of Tardieu Ministry in France.
- 9 Preparatory Disarmament Commission adjourned, having adopted a Draft Disarmament Convention.
- 11 Bank of United States suspended payment.
- 12 Military rebellion in Spain at Jaca.
- 13 Revolution in Guatemala.
- 15 Military aeroplanes dropped revolutionary leaflets on Madrid.
- 17 Centenary of Bolivar celebrated in South America.
- 22 Oslo Convention between low-tariff countries of Scandinavia, Belgium, Netherlands and Luxembourg.
- 31 Bank failures in U.S.A. rose from 434 in 1929 to 1326 in 1930.
During the year 54,000 convictions for civil disobedience offences in India. 23,000 in prison at the end of the year.
December Index of wholesale prices in U.K. showed decline of 19.9 per cent. on December 1929.

Our Own Times

1931.

January.

- 2 Revolution in Panama.
- 5 "Skirts are not very long, neither are they very short." (Paris Fashions in *The Times*.)
- 7 Persian Art Exhibition opened in London.
- 9 Brazil invited Sir O. Niemeyer to carry out financial inquiry.
- 19 First India Round Table Conference ended. Federal Principle adopted.
- 20 League Council fixed date of Disarmament Conference for February 2nd, 1932.
- 22 Resignation of Steeg Cabinet in France.
- 27 Laval Cabinet in France.
- 30 Gold payments on Mexican debt postponed for two years.

February.

- 5 Captain Malcolm Campbell set up speed record of 246.575 m.p.h. at Daytona Beach.
- 10 New Delhi officially opened as Capital of India by Lord Irwin.
- 13 National Confederation of Employers Organization issued statement on "The Industrial Situation" and demanded $33\frac{1}{3}$ per cent. cut in unemployment benefit.
- 14 Resignation of Berenguer Ministry in Spain.
- 16 Further loan of £20 million for Unemployment Fund and extension of period of Transitional Benefit to three months.

March.

- 5 Publication of Delhi Pact between Mr. Gandhi and Viceroy. Civil disobedience ended, ordinances withdrawn.
- 7 Russo-Turkish Treaty *re* limitation of armaments in the Black Sea.
- 10 Opening of Nansen International Office for Refugees.
- 13 Russo-Turkish Commercial Treaty.
- 16 European Road Traffic Conference at Geneva.
- 17 Arbitration Treaty between Turkey and Czechoslovakia. Appointment of the May Committee on National Expenditure.
- 19 Proposal for Austro-German Customs Union.
- 25 T.U.C. reply to Employers' Manifesto.
- 26 New South Wales defaulted on interest-payments.
- 30 Commonwealth guaranteed and paid New South Wales interest.

April.

- 10 C. W. A. Scott flew from England to Australia in just over nine days.
- 12 Republican victory in Spanish Municipal Elections.
- 13 Change of Government in Japan. Mr. Wakatsuki succeeded Mr. Hamaguchi.
- 14 Republic proclaimed in Spain. King Alfonso left Madrid. Don Alcala Zamora President of Provisional Government.

Selected Chronology

1931.

April.

- 14 First Air Mail from Australia to England—saving of fourteen days on sea voyage.
- 17 Lord Willingdon succeeded Lord Irwin as Viceroy of India. British budget showed deficit of £37·3 million.
- 22 Opening of Whipsnade.

May.

- 5 People's Convention held at Nanking.
- 7 New York bank rate reduced : 2 to $1\frac{1}{2}$ per cent.
- 9 Chadbourne Sugar Agreement signed. Australian Treasury announced deficit of £19½ million.
- 12 Chinese Constitution adopted.
- 13 Failure of M. Briand at French Presidential Elections. M. Doumer elected.
- 14 London bank rate reduced from 3 to $2\frac{1}{2}$ per cent. Suspension of Credit-Anstalt of Vienna.
- 16 Further drastic restriction of tin output.
- 18 Conference of wheat-exporting countries in London.
- 19 Launching of the pocket battleship *Deutschland*.
- 21 International agricultural mortgage convention signed. General Act for the Pacific Settlement of International Disputes signed by five countries, including Great Britain.
- 28 Secessionist Government inaugurated at Canton.
- 29 International Credit of 14 million dollars to Credit-Anstalt.
- 30 Azione Cattolica dispute in Italy began.

June.

- 1 Italian Government dissolved non-Fascist youth association. General Election in Egypt. Victory for Sidky Pasha.
- 5-9 Visit of Dr. Brüning and Dr. Curtius to England.
- 5 Third German Emergency Decree.
- 6 Heavy withdrawal of foreign funds from Germany.
- 9 Australian Premiers' Plan.
- 13 Berlin bank rate raised from 5 to 7 per cent.
- 16 Credit-Anstalt received 150 million schillings from Bank of England.
- 20 Publication of Hoover Plan for a Moratorium on inter-governmental debts.
- 21 General Election in Bulgaria. Success of National *bloc*.
- 22 Great Britain agreed to Hoover Moratorium.
- 24 Great Britain granted Moratorium to the Dominions. Non-aggression Treaty between U.S.S.R. and Afghanistan.
- 25 Loan to Reichsbank of 100 million dollars by Central Banks of U.K., U.S.A. and France.
- 28 Republican Socialist victory in Spanish General Elections. Dispute between Norway and Denmark over East Greenland began.

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1931.

June.

- 29 Encyclical Letter on the Azione Cattolica dispute.
- 30 General Election in Hungary. Victory for Count Bethlen.

July.

- 3 Collapse of Norddeutsche Wollkammerei (Bank).
- 6 Foreign withdrawals from Germany during previous week amounted to 100 million marks.
- 9 Dr. Luther visited London.
- 10 Dr. Luther visited Paris.
- 11 Dr. Luther returned empty-handed to Berlin.
Mass Meeting at the Albert Hall. Government's Disarmament policy endorsed.
- 13 Report of the Macmillan Committee on Finance and Industry.
Break in German Exchange. Suspension of Danat Bank.
- 14 All German banks except Reichsbank closed by decree.
- 15 German bank rate raised from 7 to 10 per cent.
- 20 London Conference on financial position of Germany.
- 23 London bank rate raised from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent.
- 24 Publication of Niemeyer Report on Brazil.
- 26 Visit of Mr. MacDonald and Mr. Henderson to Berlin.
- 30 London bank rate raised from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent.
- 31 Berlin bank rate raised from 10 to 15 per cent.
Report of the May (Economy) Committee. Anticipated budget deficit for 1932 of £120 million. Cabinet Committee appointed to study the Report.

August.

- 1 £50 million credit to Bank of England from France and U.S.A.
Bank of England gold losses since mid-June: £32 million.
- 4 Restrictions on foreign exchange transactions in Germany.
- 8 Bank of England issued strong appeal to the Prime Minister.
Australian loan to New South Wales.
- 11 Berlin bank rate reduced from 15 to 10 per cent.
- 13 Cabinet Economy Committee resolved to balance the Budget.
- 17 Statement of Tokyo War Office regarding murder of Captain Nakamura.
- 18 International Bankers' Committee at Basle recommended standstill on German short-term debts.
- 19 Resignation of Count Bethlen. Karolyi Government formed.
Chile declared moratorium on foreign debt till end of 1931.
- 20 Cabinet Economy Plans laid before Parliamentary Labour Party and T.U.C.
- 22 Split in Cabinet over proposed 10 per cent. cut in unemployment pay.
- 23 The King returned to London.
- 24 Resignation of the Second Labour Government. Formation of National Government.
- 25 Formation of International Syndicate to control sales of tin.

Selected Chronology

1931.

August.

- 26 T.U.C. and Executive Committee of Labour Party decided to go into opposition.
- 28 Bank of England borrows further £80 million from France and U.S.A.

September.

- 1 Naval mutiny in Chile.
- 2 Berlin bank rate reduced from 10 to 8 per cent.
Azione Cattolica dispute in Italy settled.
- 3 Proposal for Austro-German Customs Union dropped.
New Constitution in Yugoslavia.
- 7 Hungary asked for financial inquiry by League of Nations.
Second India Round Table Conference met. Gandhi present.
T.U.C. Congress discussed "the Bankers' Ramp."
- 8 Vote of confidence in National Government passed: 311—251.
- 9 Japan demanded apology, compensation, and punishment of the murderers of Captain Nakamura.
- 10 Supplementary Budget to meet prospective deficit of £74·7 million in 1931—32.
- 13 Heimwehr putsch in Austria. Starhemberg arrested.
Great Britain won the Schneider Seaplane Race for the third time in succession. Average speed: 379 m.p.h.
- 15 Heavy withdrawals of gold from London following rumours of trouble in the Navy.
- 17 Standstill Agreement on credits in Germany.
- 18 Following incident at Peitayana, Japan occupied Mukden.
Break on Stock Exchange—London and Wall Street.
- 20 Further Japanese advances in Manchuria.
- 21 Bank of England suspended gold payments: flight of foreign balances from London since mid-July, £200 million. London bank rate raised from $4\frac{1}{2}$ to 6 per cent.
Gold Standard Suspension Act passed. Purchase of foreign exchange restricted. Sterling-dollar rate: 4·11.
China appealed to the League.
- 22 Prohibition of gold exports by Denmark.
- 23 Federal Reserve losses during previous week: 159 million dollars.
- 25 Banque Nationale de Credit in difficulties.
Stock Exchange Committee forbade transactions on forward account.
Italy imposed excess duty of 15 per cent. on all imports (except coal) as far as treaties permitted.
Argentine currency based on dollar instead of on gold.
- 26 Sterling-dollar rate: 3·83.
- 27 Norway and Sweden suspended Gold Standard. Egypt prohibited gold exports.
- 28 Denmark suspended Gold Standard.

Our Own Times

1931.

September.

- 29 Greece controlled currency exports. Bank failures in Germany. League Assembly adopted resolution for one year's armaments truce as from November 1st.
- 30 Federal Reserve gold losses during week : 189 million dollars. New air-speed record of 408 m.p.h. set up by Flight-Lieutenant J. H. Stainforth.

October.

- 1 China requested States-Members of League Council to send observer to Manchuria.
- 2 Closing down of Comptoir Lyon-Allemand.
- 3 Turkish Delegation visited Athens to ratify Agreement of previous year.
- 5 Bank of Finland controlled foreign exchange dealings. First non-stop flight between U.S.A. and Japan.
- 6 Fresh German Emergency Decrees. Dresden People's Bank closed. Nineteen Bank Suspensions in U.S.A.
- 7 Parliament prorogued. President Hoover announced proposals for Banking reform.
- 8 Appeal to Japan and China by President of League Council. Exchange control in Austria and Jugoslavia. Four German, one French and six American Bank Suspensions.
- 9 Paris bank rate raised from 2 to $2\frac{1}{2}$ per cent.
- 11 Finland and Rhodesia suspended Gold Standard.
- 12 B.I.S. credits to Germany and Austria. British credit to Austria renewed.
- 13 Ten Bank Suspensions in U.S.A.
- 14 Expulsion of Jesuits from Spain voted. Resignation of Zamora.
- 15 New York bank rate raised from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent. following further gold losses in week of 200 million dollars. Fifteen more bank failures.
- 18 Brazil suspended external cash payment of debt services for three years.
- 19 Export of gold from Canada licensed. Eleven more American Bank Suspensions.
- 20 Second Balkan Conference.
- 24 Japanese delegate negatived draft resolution of Committee of Twelve on Sino-Japanese dispute.
- 24-27 Hoover-Laval Conversations on War Debts.
- 27 Peace Conference at Shanghai. (Northern Government and Cantonese.)
- 28 General Election. National Government returned with large majority.
- 29 Ordinances for the suppression of terrorism in Bengal.
- 30 Bank of England repaid £20 million of Franco-American credits. Düsseldorf bank failure.

Selected Chronology

1931.

November.

- 2 Further Japanese advance in Manchuria.
- 3 Meeting of bankers of Central Europe at Prague to discuss Exchange regulations.
- 4 During previous week Federal Reserve Bank gained 36 million dollars in gold.
Three French Bank Suspensions.
- 9 Foreign exchange restrictions in South Africa.
- 14 French surtax on imports from countries with depreciated currencies.
- 16 League Council reassembled. U.S.A. represented on Sino-Japanese dispute.
- 19 Germany demanded meeting of Young Plan Advisory Committee.
- 20 Abnormal Importations Act (U.K.) passed.
Sterling-dollar rate : 3·74.
- 21 Japanese delegate proposed League Commission of Inquiry should be sent to Manchuria.
- 26 His Majesty's Government announced "quota" for home-grown wheat scheme.
- 28 Austrian Agreement with foreign creditors *re* reorganization of Credit-Anstalt.

December.

- 1 Second India Round Table Conference ended. Deadlock on Communal question.
Sterling-dollar rate : 3·29.
German Presidential Decree empowering Government to vary import duties at will.
- 2 Revolution in Salvador.
- 3 Statute of Westminster Bill passed.
- 5 Wireless telephone debate between Oxford and Harvard.
- 7 French Government to bear the Bank of France's losses on sterling balances.
Young Plan Advisory Committee met at Basle.
- 8 Fourth German Emergency Decree.
- 9 Spanish Constitution approved.
- 10 League Council decided unanimously that Commission of Inquiry should be sent to Manchuria.
- 13 Prohibition of gold exports from Japan.
Change of Government in Japan. Mr. Inukai in office.
- 14 Ordinance in India with regard to non-payment of rents, and maintenance of law and order.
- 15 Chiang Kai-Shek resigned all offices.
- 17 B.I.S. renewed Hungarian credits.
Japan suspended Gold Standard.
- 22 Hoover Moratorium plan ratified by American Senate.
- 23 Hungary declared transfer moratorium on foreign obligations other than League loan.

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1931.

December.

- 23 Report of Young Plan Advisory Committee.
- 30 His Majesty's Government invited Europe to Conference on Reparations and War Debts at Lausanne.
Viceroy refused to discuss Ordinance with Gandhi, and made firm pronouncement on maintenance of law and order.
- 31 December Index of wholesale prices in U.K. showed decline of 3.6 per cent. on December 1930.

1932.

January.

- 1 Lyons Government in Australia, following Labour defeat at General Election.
- 4 Exhibition of French Art opened in London.
Arrest of Gandhi.
Treaty of Friendship between Greece and Poland.
- 6 Conference of Scandinavian Ministers on currency and tariff policy.
- 8 Bulgaria announced impending default on foreign obligations.
- 9 Austria announced impending default on short-term credits and asked creditors to negotiate on new basis.
- 11 Bulgaria appealed to the League for financial assistance.
"Great offer of £55,000 stock of silks. . . . In view of the future rise in these speciality productions . . . etc." (Advertisement in *The Times*.)
- 12 Resignation of Laval Government in France.
- 13 Norway increased customs duties.
- 19 German Decree authorizing surtax on imports from countries with depreciated currencies. Tariff increases where compatible with treaty obligations.
- 21 Non-aggression Pact between U.S.S.R. and Finland.
Tardieu Government in France.
- 22 "The Agreement to Differ" with regard to fiscal policy made by the National Government.
- 29 New South Wales again defaulted on interest-payment.
China appealed to the League.

February.

- 1 Bank of England repaid £30 million of Franco-American credits.
Japanese warship bombarded Nanking.
- 2 Disarmament Conference opened at Geneva.
China accepted, Japan refused, British and American proposals for peaceful settlement.
- 7 Oslo Agreement came into force—Scandinavia, Holland, Belgium, and Luxembourg.
- 9 Australian Government assumed New South Wales liabilities.
Assassination of Mr. Inouye. (Japan.)
- 12 Import Duties Bill introduced in United Kingdom.
- 16 General Election in Irish Free State. Victory of de Valera.

Selected Chronology

1932.

February.

- 18 Manchurian Declaration of Independence.
London bank rate reduced from 6 to 5 per cent.
- 19 Lytton Commission reached Tokyo.
- 20 General Election in Japan. Victory of Seiyukai Party.
- 22 Reorganization of German banks with State aid announced.
- 25 New York bank rate reduced from $3\frac{1}{2}$ to 3 per cent.
- 26 Glass-Steagal Act passed U.S.A. (Credit expansion policy.)
- 29 "All Manchuria Convention" made Mr. Pu Yi provisional President.

March.

- 1 British Import Duties Act passed February 29th, and became operative as from March 1st.
- 3 Germany announced repayment of 10 per cent. of B.I.S. and Central Bank credits.
- 4 Treasury repaid £43 million of Franco-American bank credits.
Sterling-dollar rate: 3·51.
- 5 French Memorandum on economic and financial reconstruction of Central and Eastern Europe.
- 7 Death of M. Briand.
- 8 New German tariff: heavy increases in certain duties.
- 9 State of "Manchukuo" inaugurated.
- 10 London bank rate reduced from 5 to 4 per cent.
- 11 League Assembly passed resolution refusing to recognize Manchukuo. Committee of Nineteen appointed.
- 12 Suicide of Ivar Kreuger: collapse of Kreuger securities.
- 13 Presidential Election in Germany. Hitler polled 11·3 million, Hindenburg 18·6 million, votes.
- 16 Suspension of payment of Irish land annuities.
Financial concessions to Bulgaria.
- 19 Sydney Harbour Bridge opened.
- 23 Additional import duties in South Africa.
- 27 His Majesty's Government convened Four-Power Conference to discuss Danubian Plan.
- 29 Treasury to repay balance of Franco-American credits.
- 30 Additional taxation approved in U.S.A.
- 31 Finance accounts (U.K.) for 1931-32 showed surplus of £364,000.

April.

- 6-7 Four-Power Danubian Conference failed.
- 14 Federal Reserve Banks to begin expansion by purchase of Government bonds.
- 15 Greece announced impending default on external debt, failing financial assistance.
- 19 British Budget for 1932-33 introduced.
Gold Standard suspended in Chile.
- 20 Bill abolishing Oath of Allegiance introduced in the Dail.

Our Own Times

1932.

April.

- 21 Treasury ordered additional import duties. London bank rate reduced from $3\frac{1}{2}$ to 3 per cent.
- 24 Elections for Prussian Diet. Nazis : 162 out of 422 seats.
- 25 Greece left Gold Standard and introduced exchange restrictions. Exchange Equalization Fund established.
- 26 Disarmament Conference adjourned after adopting resolution on qualitative disarmament.

May.

- 1-8 General Election in France. Radical and Socialist victory.
- 6 Assassination of President Doumer. M. Lebrun elected (10th).
- 7 Death of M. Albert Thomas.
- 9 Little Entente Convention renewing treaty of defensive alliance. Austria appealed to the League for financial help.
- 9-12 Meeting of Reichstag.
- 14 Last broadcast from Savoy Hill. Peru left the Gold Standard.
- 15 Assassination of Japanese Prime Minister, Mr. Inukai.
- 19 Bank of England headed syndicate to take over about £7 million of assets of Anglo-South American Bank in nitrate industry.
- 20 Formation of Dollfuss Government in Austria.
- 22 Miss Earhart flew the Atlantic, solo, in $13\frac{1}{2}$ hours.
- 23 Austria to declare transfer moratorium.
- 26 Japanese Government formed under Admiral Saito and General Araki.
- 30 Resignation of Brüning Government over Emergency Decrees. Von Papen in office.
- 31 President Hoover appealed for immediate tax measures to balance budget.

June.

- 4 Dissolution of the Reichstag. Herriot Cabinet in France. Lytton Committee left Manchuria after six weeks' visit. Revolution in Chile. House of Representatives passed Tax Bill.
- 6 All banks closed in Chile. U.S. Senate passed Tax Bill.
- 8 Mr. Stimson announced that U.S. was opposed to debt cancellation and was not concerned with Reparations.
- 14 German Decree imposed further cuts in unemployment pay and pensions, and raised further levy on salaries.
- 16 Opening of Lausanne Conference on Reparations and War Debts.
- 17 Counter-revolution in Chile.
- 20 Customs Convention at Ouchy. (Holland, Belgium and Luxembourg.)
- 22 Partial moratorium on foreign transfers from Austria. Disarmament Conference (General Commission) reassembled.

Selected Chronology

1932.

June.

- 23 Negotiations for International loan for Austria.
- 24 Heavy run on Chicago banks.
- 30 Treasury Ban on new issues pending War Loan Conversion.

July.

- 1 U.S. Budget deficit 1931-32: 2885 million dollars.
- 2 "Gentleman's Agreement" between United Kingdom, France, Belgium and Italy on ratification of Lausanne Agreements.
- 4 Lytton Committee revisited Japan.
- 5 League Council resolved to convene monetary and economic conference.
- 8 Lausanne Reparations and War Debts Agreement signed.
- 9 Separatist rising in San Paulo State, Brazil.
- 13 "Consultative Pact" on European Co-operation between United Kingdom and France. (Subsequently joined by sixteen countries.)
- 15 League loan to Austria of 300 million schilling approved.
20 per cent. import duty on two-thirds of Irish Free State exports to United Kingdom.
- 16 French Treasury authorized to borrow 2000 million francs.
- 18 Turkey admitted to League of Nations.
Norwegian-Danish dispute over S.E. Greenland referred to Permanent Court.
- 21 Imperial Conference at Ottawa opened.
- 22 World price for copper reached low record of 4.40 cents.
- 23 Session of Disarmament Conference closed (conclusion of the First Phase).
- 25 Non-aggression Pact between U.S.S.R. and Poland.
- 26 General von Schleicher demanded at Geneva equality of status for Germany.
- 30 German General Elections. Nazis won 229 seats; Socialists 132; Communists 88. No clear majority.
Fighting between Bolivia and Paraguay broke out again.

August.

- 12 Poland signed Agreement discontinuing boycott of Danzig.
- 17 Professor Piccard of Belgium made balloon ascent into the stratosphere—altitude of 16,700 metres.
- 19 96° in the shade in London.
- 20 Sterling-dollar rate: 3.57.
Ottawa Conference ended. Empire Trade Agreements signed.
- 27 Final Session of Agrarian Conference at Warsaw.
- 28 Publication of German economic plan.
- 30 £13 million 4½ per cent. War Loan, and £140 million 4½ per cent. Treasury Bonds to be repaid on December 1st.
Meeting of Reichstag. Clara Zetkin (aged seventy-five) took the Chair.

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1932.

September.

- 1 Sterling-dollar rate : 3·47.
- 3 Telecommunication Conference opened at Madrid.
- 5 Stresa Conference on Eastern Europe opened.
Hindenburg's Emergency Economic Decree.
- 12 Dissolution of Reichstag.
- 14 Germany announced withdrawal from Disarmament Conference.
- 15 Treaty between Japan and Manchukuo.
- 16 French War Loan Conversion announced.
- 21 Bureau of Disarmament Conference met.
- 22 Berlin bank rate reduced from 5 to 4 per cent.
- 25 Greek General Elections.
- 28 Resignation of Free-Trade Ministers in United Kingdom.

October.

- 1 Partial removal of Ban on Capital Issues in Great Britain.
- 2 Publication of the Lytton Report.
- 3 Suppression of Separatist movement in Brazil.
Iraq admitted to the League of Nations.
- 4 Australian Conversion Loan issued.
Papal Legate expelled from Mexico.
- 11 Issue of £150 million 2 per cent. Treasury Bonds, 1935-38.
- 12 Publication of Ottawa Agreements.
- 17 His Majesty's Government denounced Russian Trade Agreement.
- 18 His Majesty's Government invited Scandinavian countries to trade negotiations.
- 20 U.S. price of steel rails reduced to 40 dollars per ton—first reduction for ten years.
- 21-26 Third Balkan Conference at Bucharest.
- 25 Bulgaria withdrew from Balkan Conference.
- 30 Resignation of M. Venizelos from Greek Premiership.
- 31 First Session of Preparatory Commission for Economic Conference began.

November.

- 1 Sterling-dollar rate : 3·30.
Parliamentary Agricultural Committee pressed for immediate assistance for British farmers.
- 3 Issue of £300 million 3 per cent. Conversion Loan.
- 4 Tsaldaris Government in Greece.
- 6 German General Elections. Nazis won 196 seats ; Socialists 121 ; Communists 100.
- 7 Report of Unemployment Commission published.
- 8 U.S. Presidential Elections. Victory for Mr. Roosevelt.
- 10 Exchange of Notes concerning War Debts between debtor countries and U.S.A.
- 15 Signature of Ottawa Agreements Act, and issue of Treasury Order.

Selected Chronology

1932.

November.

- 17 Third India Round Table Conference met.
Resignation of Papen-Schleicher Government in Germany.
- 21 Hitler refused to accept Chancellorship of Germany.
Persia annulled Anglo-Persian Oil Concession.
- 23 U.S.A. refused postponement of December War Debt payments.
- 29 Non-aggression Treaty between France and U.S.S.R.

December.

- 1 Sterling-dollar rate : 3·22.
Repayment of £165 million unassented 5 per cent. War Loan ;
£128 million 4½ per cent. War Loan and £140·4 million 4½
per cent. Treasury Bonds.
- 4 Schleicher Government in Germany.
- 6-9 Session of the Reichstag.
- 7 President Hoover in message to Congress anticipated budget deficit
of 1142 million dollars.
- 11 Five-Power Declaration on German equality of status. Return of
Germany to the Disarmament Conference.
- 12 Re-establishment of diplomatic relations between U.S.S.R. and
China.
- 14 Herriot Government defeated on motion to pay War Debts.
Succeeded by M. Paul-Boncour.
Disarmament Conference adjourned.
Anglo-Persian oil dispute referred by Great Britain to the League
of Nations.
- 15 U.K. and Italy and four other countries made payments on War
Debt account to U.S.A. ; France, Belgium and three other
countries defaulted.
- 20 Bolivia and Paraguay both refused convention for settlement of
Chaco dispute proposed by League Council.
- 24 Third India Round Table Conference ended.
- 28 South Africa left the Gold Standard.
- 31 Completion of First Five-Year Plan in U.S.S.R.

1933.

January.

- 2 New Government established in Nicaragua. Withdrawal of U.S.
forces.
- 4 Colombia-Peru dispute began. Colombia submitted Memorandum
to the League.
- 7 Italo-Rumanian Treaty of Friendship renewed.
- 8 Hirtenberg affair. Alleged smuggling of arms from Italy to
Hungary and Austria.
- 9 Anarchist rising in Spain.
- 10 Dutch producers agreed to a Tea Restriction Scheme.

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1933.

January.

- 11-25 International Labour Conference to consider a forty-hour week.
- 12 Programme of Russian Second Five-Year Plan announced.
- 13 Congress overrode President Hoover's veto to Philippine Independence Bill—which became law.
- 16 Venizelos Government in Greece. (Defeated in Elections on March 5th.)
- 19 Preparatory Commission for World Economic Conference issued agenda.
New Zealand exchange premium raised from 10 to 25 per cent. on sterling.
- 20 War Debts conversations began between U.S.A. and creditor countries.
- 24 Irish Free State Elections. Increased majority for de Valera.
- 28 Fall of Schleicher Government in Germany. Nazi-Nationalist Coalition under Hitler.
- 29 Paul-Boncour Government defeated on budget. Daladier Government formed.
- 30 Herr Hitler Chancellor of Germany.

February.

- 2 Disarmament Conference reopened.
- 5 Martial Law in Rumania following riots in oil fields.
- 6 Amendment of U.S. Constitution *re* "lame duck" sessions of Congress.
Prussian Government dismissed. Powers vested in Reichskommissar.
- 9 Increase in German tariff on imported cattle and meat.
- 14-16 Little Entente Conference. Statute passed providing for common foreign policy and permanent Council and Secretariat.
- 14 Banking holiday declared in Southern Michigan. Beginning of Middle-West panic.
Diplomatic relations between Peru and Colombia severed. Failure of attempts to mediate.
- 17 Standstill Agreement on German short-term debt renewed.
- 20 Federal Reserve Bank took action to strengthen reserves of weak banks.
- 21 New Little Entente Agreement.
- 22 Sir Malcolm Campbell created new speed record of over 272 m.p.h. at Daytona Beach.
- 23 Japanese advance on Jehol following Ultimatum to China.
Coalition Government in South Africa.
Emergency banking legislation in two American States. Federal Reserve lost 82 million dollars of gold in the week.
- 24 League Assembly adopted recommendations of Lytton Report.
Japan left the meeting.
- 25 Emergency banking legislation in seven more American States.

Selected Chronology

1933.

February.

- 25 British Memorandum to League on the supply of arms to Bolivia and Paraguay.
- 27 Reichstag Fire. Reprisals against Socialist and Communist Parties.
- 27-March 14 U.K. embargo on export of arms to China and Japan.

March.

- 1 Japan signified her intention of continuing to attend Disarmament Conference.
Banking holiday in three American States.
Since December 15th, 1931, Bank of England had bought £30.4 million of gold.
- 2 Banking holiday in eight more American States. Closing of San Francisco Stock Exchange and New Orleans Cotton Exchange.
The week's gold losses = 116 million dollars.
- 3 Moratoria enacted in thirty-seven States in U.S.A.
- 4 Inauguration of President Roosevelt. Banking holiday in New York and Illinois. American Financial System at a standstill. Dealings in dollars suspended and bullion market closed in London. Exchange dealings suspended in Tokyo.
- 5 Japanese troops reached the Great Wall.
- 6 German Elections. Nazi gains. Government victory.
Mr. Roosevelt declared three days' banking holiday.
- 6-9 Reichskommissars took over Government of German States.
- 9 Mr. Roosevelt's proposals to Congress. Sound banks to be reopened; dictatorial powers for the Executive.
- 10 Disarmament Conference discussed Soviet Proposal *re* defining aggressor.
Banking Bill signed in U.S.A. in support of the Emergency Decrees.
- 11 Return of gold to Federal Reserve Banks from hoards: 200 million dollars in three days.
- 13 Arrest of six employees of Metropolitan-Vickers in Russia.
400 banks reopened in twelve Federal Reserve Districts.
- 14 1000 American banks reopened.
- 15 League Advisory Committee on Sino-Japanese dispute to investigate arms embargo and maintenance of non-recognition of "Manchukuo."
- 16 Mr. MacDonald laid new British Disarmament Plan before Disarmament Conference.
Dr. Schacht President of the Reichsbank.
- 17 India "White Paper" on Constitutional Reform issued.
- 18 Announcement of Signor Mussolini's Four-Power Pact proposals.
- 20 Economy Bill in U.S.A. signed by the President. 500 million dollar cuts in Veterans' Pensions and Federal Salaries.
Export of gold from U.S.A. prohibited.
Argentine currency to be pegged to franc instead of dollar.
Hertzog-Smuts Coalition Government formed in South Africa.

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1933.

March.

- 21 Inauguration of New German Reichstag at Potsdam.
- 24 President Hindenburg signed Enabling Bill giving Herr Hitler dictatorial powers for four years.
- 27 Japan gave formal notice of her withdrawal from the League of Nations.

April.

- 3 Automatic Traffic Control inaugurated in Trafalgar Square.
- 5 Permanent Court gave judgment in Norwegian-Danish dispute.
- 6-14 League of Nations financial experts visited Bulgaria.
- 8 Dispute between "Manchukuo" and U.S.S.R. over Chinese Eastern Railway began.
German legislation on Nazification and Aryanizing of the Civil Service.
- 10 New air-speed record of 423 m.p.h. set up by member of the Italian Air Force.
- 12 New Constitution in Portugal. Corporate State established.
- 12-18 Metropolitan-Vickers trial in Moscow. Two Englishmen sentenced.
- 17 Fighting between Colombia and Peru.
- 18 Norway and Denmark withdrew proceedings in S.E. Greenland case.
- 19 Trade War between U.S.S.R. and United Kingdom began.
- 21-26 Mr. MacDonald and M. Herriot visited President Roosevelt with regard to Economic Conference.
- 23 Turko-Bulgarian Neutrality Treaty renewed for five years.
- 24 Anglo-Danish Trade Agreement.
- 25 Roosevelt-MacDonald Statement on War Debts issued.
- 27 Incorporation of Stahlhelm in Nazi organization.
Anglo-German Trade Agreement.
- 30 Agreement between Persia and Anglo-Persian Oil Company after League mediation.

May.

- 2 Soviet Ambassador to China appointed.
Nazis took over German Trade Unions.
U.S.S.R. offered to sell Chinese Eastern Railway to Japan.
- 2-27 Representatives of nine countries visited Mr. Roosevelt re Economic Conference.
- 8 Anglo-Argentine Trade Agreement.
- 10 Paraguay declared that a state of war with Bolivia existed.
- 12 Nazi Storm Troops and police occupied Trade Union headquarters in Danzig.
Tariff truce proposal adopted by eight (subsequently forty-six) countries.
- 15 Anglo-Swedish and Anglo-Norwegian Trade Agreements.
Confiscation of property of Social Democrats and Reichsbanner.

Selected Chronology

1933.

May.

- 15 German Nazi delegation ordered to leave Austria.
Chaco dispute. League recommended arbitration and dispatch of Commission of Inquiry. Paraguay accepted, Bolivia refused.
- 16 Joint Select Committee on Indian Constitutional Reform met.
President Roosevelt's Message to the Nations at the Disarmament Conference.
- 17 Hitler's pacific speech on Disarmament and Foreign Policy.
- 25 Peru and Colombia accepted League Commission.
- 26 Austrian Communist Party dissolved.
- 28 Nazi victory in Danzig Election.
- 29 German Government imposed fee of 1000 marks on all tourist visas for Austria.
Sixth Conference of Institutions for the Scientific Study of International Relations held in London.
- 30 Agricultural Marketing Bill passed.
- 31 Armistice between China and Japan. Japan had advanced south of the Great Wall and was threatening Peking.

June.

- 1 Little Entente Conference at Prague. Permanent Economic Council established.
- 2-6 Dr. Dollfuss visited Rome. Concordat with Vatican. Conversations with Mussolini.
- 4 American loan to China for purchase of American cotton and flour.
- 4-6 Conference of Agrarian States at Bucharest.
- 5 Resolution repealing gold clause in public and private obligations in U.S.A. became law.
- 8 Disarmament Conference adopted British Draft as basis of discussion.
- 9 Transfer Moratorium on all German payments not covered by standstill agreement. Fifty per cent. of interest to be paid in scrip.
- 11 Nazi agitators in Austria arrested. Brown Houses closed.
- 12 Opening of World Economic Conference in London.
- 13-14 Anglo-American correspondence with regard to token payment on War Debts.
- 14 Herr Habicht, Nazi State Inspector for Austria, expelled from Austria.
- 15 France and five other countries defaulted on War Debt payments: Great Britain and four other countries made token payments: Finland paid in full.
- 19 Nazi activities in Austria banned.
- 22 Nazis dissolved German Social Democratic Party.
- 27 Resignation of Herr Hugenberg. Dissolution of German Nationalists and Bavarian People's Party.

Our Own Times

1933.

June.

- 28 China asked the League for a liaison officer to assist her in reconstruction period.
Estonia left the Gold Standard.
- 29 Disarmament Conference adjourned.

July.

- 1 London Passenger Transport Board began operations.
M. Avenol took office as Secretary-General of the League.
Release of Vickers's employees. Anglo-Russian Trade War ended.
- 3 President of Danzig visited Warsaw.
Eight-Power Convention on definition of aggression signed in London. (Subsequently signed by Little Entente.)
League decided to appoint Commission of Inquiry into Chaco dispute.
President Roosevelt rejected stabilization proposals of World Economic Conference.
- 5 The Four-Power Pact signed.
Herr Habicht began broadcast war on Austria from Munich.
Non-aggression Pact between Latvia and U.S.S.R.
- 10 Mr. Henderson began series of diplomatic visits with regard to Disarmament.
- 18 League appointed technical agent in China.
- 20 Concordat between Germany and the Vatican.
Proclamation as to date of Saar Plebiscite.
- 21 Road and Rail Traffic Bill passed.
- 26 World's largest dry dock opened by His Majesty the King at Southampton.
Silver Agreement signed by eight interested countries.
- 27 Declaration of Empire monetary and economic policy signed.
Adjournment of World Economic Conference.

August.

- 2 Moyne Committee's Report on Housing issued.
- 3 General Strike in Cuba.
- 5 Poland and Danzig signed Agreement *re* use of Danzig Harbour.
- 7 Franco-British representations to Germany about Nazi activities in Austria.
- 10 International loan to Austria.
- 11 Military *coup d'état* in Cuba. Dr. de Cespedes succeeded President Machado.
- 14-26 Fifth Conference of Institute of Pacific Relations met at Banff, Canada.
- 15 Transfer of all Government Debt suspended in Rumania. Protest by United Kingdom and France.
- 17 Assyrian Patriarch appealed to the League about alleged massacres by Iraqis.
- 25 Wheat Agreement signed, regulating the export of wheat.

Selected Chronology

1933.

September.

- 2 Non-aggression Pact between Italy and U.S.S.R.
- 4 Revolution in Cuba. Army rank and file and students established Executive Commission.
- 5 Thirty U.S. warships ordered to Cuban waters.
- 8 Death of King Feisal of Iraq. Succeeded by Amir Ghazi.
- 10 Dr. San Martin President of Cuba.
- 11-24 British Commonwealth Relations Conference at Ottawa.
- 14 Friendship and Co-operation Pact between Greece and Turkey.
- 18 Diplomatic Conversations on Disarmament at Paris, London and Geneva.
- 21 Reichstag Trial opened.
Cabinet reconstruction in Austria. Dictatorship of Dr. Dollfuss.
- 22 Polish Prime Minister visited Warsaw.
- 25 Argentina returned to the League.
- 29 Fighting between police and Communists in Havana.
Anglo-Finnish Trade Agreement.
- 30 The Empire Marketing Board was wound up.

October.

- 1 Soviet balloon ascended 19,000 metres (nearly 12 miles) into the stratosphere.
- 2 Government attack on Army Officers in National Hotel, Havana.
- 3 Attempt to assassinate Dr. Dollfuss.
Kings of Bulgaria and Jugoslavia met at Varna.
- 9 Dissolution of Spanish Constituent Assembly.
- 10 Further Diplomatic Conversations on Disarmament.
South American Anti-War Pact signed.
- 11 League Assembly passed resolution on assistance to Jewish and other refugees from Germany.
- 14 Sir John Simon's statement at meeting of the Bureau of the Disarmament Conference, on results of Disarmament Conversations. Germany announced withdrawal from the Conference and from the League.
League Commission set up on settlement of Assyrians outside Iraq.
- 17 Turko-Rumanian Treaty of Friendship.
- 19 League Commission left for the Chaco.
Germany formally gave notice of withdrawal from the League.
- 22 Hungary and Turkey renewed Arbitration Treaty for five years.
- 24 Resignation of Daladier Government. (M. Sarraut took office on the 27th.)
- 26 Rumanian settlement with bondholders' associations.
- 27-29 Rioting in Palestine.

November.

- 2 Governing Commission of Saar issued Decree to prevent Nazi intimidation.

Our Own Times

1933.

November.

- 2 Danzig authorities ordered all police to become Nazis. Protest by League High Commissioner.
- 3 Japan withdrew from demilitarized zone south of Great Wall.
- 5 Repeal of Eighteenth (Prohibition) Amendment to U.S. Constitution.
- 5-11 Fourth Balkan Conference at Salonika.
- 8 Assassination of King Nadir Shah of Afghanistan.
- 9 Seventh Pan-American Conference at Montevideo.
- 12 Plebiscite on foreign policy in Germany. 89.9 per cent. in favour of Government.
- 16 Franco-Syrian Treaty of Friendship signed. U.S.S.R. recognized by U.S.A. Ambassadors appointed.
- 19 General Election in Spain: gains for parties of Right. Lerroxx Government.
- 24 Sarraut Government resigned. Chautemps Government formed.
- 25 Syrian Chamber rejected Treaty. Chamber dissolved.
- 27 Treaty of Friendship between Turkey and Jugoslavia.

December.

- 5-7 Inconclusive negotiations between Germany and foreign bondholders.
- 7 Report of the Chamber of Shipping on the distressed state of the industry.
- 8 Paraguayan victory at Fort Alihuata.
- 10-13 King and Queen of Bulgaria visited Belgrade.
- 15 After exchange of Notes Great Britain made further token payment to U.S.A. (Five defaults, five tokens and one full.)
- 18 Announcement that Germany would only transfer 30 per cent. of interest on loans (except Young, Dawes and Potash).
- 19 Armistice in Chaco following mediation of Pan-American Conference.
- 20 Rumanian General Elections: Liberal victory.
- 23 The worst railway disaster in French history occurred at Lagny: 200 killed.
Reichstag Trial ended. Van de Lubbe condemned to death.
- 26 Pan-American Conference advised Bolivia and Paraguay to accept League mediation.
- 29 Assassination of M. Duca, Premier of Rumania, by member of Iron Guard (Fascists).
- 31 Cuban Government defaulted on public works' obligations contracted by President Machado.

1934.

January.

- 3 Resignation of M. Angelescu, Premier of Rumania. M. Tatarescu appointed.

Selected Chronology

1934.

January.

- 8 Resumption of hostilities between Bolivia and Paraguay.
- 9 Economic Conference of Little Entente opened at Prague.
Turkey: "Five-Year Plan" approved by Council of Ministers.
Suicide of Stavisky. Resignation of M. Dalimier.
- 10 Execution of Van de Lubbe.
- 15 Serious earthquake in Bihar.
- 17 "Purge" of the Russian Communist Party completed. Over 300,000 members and probationers expelled (15.6 per cent.).
- 26 Germany and Poland signed ten-year Peace Pact.
- 28 Resignation of M. Chautemps over Stavisky case. M. Daladier formed Government.
- 30 Bill for reform of the Reich approved by the Reichstag.
Hitler's first anniversary speech.
New altitude record of 68,000 feet set up by Soviet stratosphere balloon. Crew of three killed.
- 31 President Roosevelt signed Proclamation fixing weight of gold dollar at 59 per cent. of its former weight.

February.

- 6 Mr. Eden's tour to European capitals to discuss Disarmament.
- 6-9 Rioting in Paris. Resignation of M. Daladier.
- 9 M. Doumergue formed National Union Government. M. Barthou Foreign Minister.
Greece, Rumania, Jugoslavia and Turkey signed Balkan Pact.
(Security of frontiers and closer economic co-operation.)
- 12 Three days' Civil War in Vienna between Fascist Heimwehr and Socialists. Socialist Party dissolved.
- 16 Trade Agreement between Great Britain and U.S.S.R.
German "standstill" agreement on short-term debts extended for one year.
- 17 Joint declaration on Austrian Independence by Great Britain, France and Italy.
- 18 King Albert of the Belgians killed by a fall while climbing.
- 23 King Leopold III of Belgium took the Oath.

March.

- 1 Pu Yi enthroned as Emperor of Manchukuo.
- 2 Air Estimates issued. Net increase of £135,000 on last year.
- 6 Naval Estimates issued. Net increase of £2,980,000 on last year.
- 8 Army Estimates issued. Net increase of £1,650,000 on last year.
- 14-17 Visit to Rome of Herr Dollfuss and General Gömbös. Signature of three-power consultative pact.
- 19 Number of registered Unemployed decreased by 600,000 since September 1931.
- 24 Non-aggression Convention between U.S.S.R. and Turkey signed.

Our Own Times

1934.

March.

- 27 Publication of German Budget. Large increases in Defence and Air Ministry Estimates.
- 28 North Atlantic Shipping Bill received the Royal Assent. (Enabling work to be continued on the *Queen Mary*.)

April.

- 3 Leticia dispute between Peru and Colombia: fighting resumed.
- 17 Budget introduced. Surplus of £29,100,000. Restoration of many cuts. 6d. off the Income Tax.
- 19 Commissioners appointed to inquire into possibilities of reconstruction in depressed areas.
New Constitution for Uruguay approved. Dr. Gabriel Terra President.
- 20 General Election in Uruguay. Government victory.
General amnesty in Spain.
- 23 Resignation of Señor Lerroux, Republican. Succeeded by Señor Samper, Radical. (Spain.)
- 27 Pan-American Anti-War Pact signed.
- 30 Corporative State formed in Austria. Parliament sat for the last time.

May.

- 8 Attempted assassination of Governor of Bengal at Darjeeling.
- 12 Report of the League of Nations' Chaco Commission published.
- 15 Unemployment Bill passed Third Reading in House of Commons.
- 19 *Coup d'état* in Bulgaria. Parliament dissolved; military dictatorship set up.
- 24 Professor Masaryk re-elected President of Czechoslovakia.
Agreement between Colombia and Peru signed.
- 25 Bill for the abolition of the Senate passed in the Dail.
- 29 New Session of Disarmament Conference opened.
- 31 French bank rate reduced from 3 to 2½ per cent.

June.

- 6 Fusion of South African and Nationalist Parties announced.
- 9 Recognition of Soviet Russia by Permanent Council of Little Entente announced.
- 11 Disarmament Conference adjourned.
- 12 South African Status Bill submitted for His Majesty's signature.
- 14 Germany announced six months' default on medium and long-term foreign obligations, beginning on July 1st.
Meeting in Venice between Signor Mussolini and Herr Hitler.
- 18 Visit of M. Barthou to Bucharest and Belgrade, to discuss proposed Eastern Pact.
- 21 10,187,000 employed persons; highest figure since 1929. Increase of 570,000 in past year.
- 26 Trade Treaty between United Kingdom and France signed.

Selected Chronology

1934.

June.

- 29 Sir Henry Betterton created Chairman of the new Unemployment Assistance Board.
- 30 Hitler's "Purge" of the Nazi Party. Official estimate : 77 victims.

July.

- 1 Austrian Republic became the Federal State of Austria.
- 3 Announcement of the Government's proposal to subsidize Tramp Shipping for one year, and of the "scrap and build" scheme.
- 6 Death of Madame Curie.
- Trade Agreement between Great Britain and Lithuania signed.
- 10 OGPU superseded by new "Commissariat of Internal Affairs."
- 11 Reconstruction of Dollfuss Cabinet.
- Trade Agreement between Great Britain and Estonia signed.
- 16 New Constitution promulgated in Brazil. Dr. Vargas elected Constitutional President.
- 17 Trade Agreement between Great Britain and Latvia signed.
- 18 Mersey Tunnel opened by the King.
- 19 Mr. Baldwin announced the Government's intention to increase the Royal Air Force.
- 24 His Majesty's Government agreed to enforce embargo on export of arms to Chaco belligerents.
- 25 Nazi putsch in Austria. Murder of Dr. Dollfuss. Chancery seized. Bill subsidizing home beef-raisers up to £3 million passed third reading.
- Announcement of Inland Air-Mail Services in Great Britain.
- 27 Appointment of Herr von Papen as Minister Plenipotentiary in Vienna.
- 28 Dismissal of Herr Habicht, Nazi Inspector for Austria.
- Death of Marshal Lyautey.
- 29 Dr. von Schuschnigg Chancellor of Austria.

August.

- 2 Death of President Hindenburg. Herr Hitler decreed Führer and Chancellor.
- 19 Plebiscite in Germany : 89 per cent. majority in favour of Hitler's assumption of office.
- 20 U.S.A. became full member of International Labour Organization. Report of the Sea Fish Commission issued (*re* Herring Industry).
- 21 Meeting between Signor Mussolini and Dr. Schuschnigg at Florence.
- 29 Price of gold reached record figure of 140s. 3d. per fine oz.
- 30 Dr. Schacht's speech on new economic policy in Germany.

September.

- 4-11 National Socialist Party Congress at Nuremberg. Hitler declared that "the Revolution is over."
- 8 Morro Castle fire disaster.

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1934.

September.

- 11 Germany rejected Eastern Locarno Pact.
- 12 Poland rejected Eastern Locarno Pact.
Baltic Pact ("Treaty of Understanding and Collaboration")
signed by Estonia, Latvia and Lithuania.
- 13 Polish declaration in League Assembly on question of Minorities.
Wireless : new high-power long-wave station opened at Droitwich.
- 15 General Election in Australia. Victory for Mr. Lyons and Dr. Page.
- 16 Entry of Soviet Union into League of Nations.
- 18 Turkey denounced the Anglo-Turkish Commercial Treaty of 1930.
- 21 Sale of Chinese Eastern Railway to Manchukuo agreed to.
- 22 Resignation of General O'Duffy from presidency of United Ireland
Party and leadership of the Blue Shirts.
Colliery disaster at Wrexham. Over 260 miners lost their lives.
- 26 Launch of the *Queen Mary*.
Afghanistan admitted to the League of Nations.
- 28 Ecuador admitted to the League of Nations.
- 30 Pact between Yugoslavia and Bulgaria.

October.

- 1 Resignation of Samper Government in Spain. (Lerroux Cabinet
formed.)
- 6-13 Socialist rising in Spain. Martial Law proclaimed. Rebellion
in Catalonia.
- 9 Assassination of King Alexander of Yugoslavia and M. Barthou at
Marseilles.
- 12 Mr. Eden began a tour of the Northern European Capitals.
- 15 Death of M. Poincaré.
- 18 Melbourne Centenary Celebrations. Duke of Gloucester present.
- 19 Little Entente and Balkan Pact Countries demanded international
action against terrorism.
- 23 Three-Power Naval Conversations began in London.
C. W. A. Scott and T. Campbell Black won the International
England-Australia air race in 2 days, 22 hours, 58 mins.
- 25 French State Railways' Diesel-powered train attained speed of
120 m.p.h. for four miles.
- 31 Economic Conference at Angora between Balkan States.
Coalition Cabinet formed in Australia.
Anglo-German Agreement (*re* German debts' settlement) con-
cluded.

November.

- 4 Pacific Ocean flown for first time from West to East by Kingsford
Smith and Taylor.
- 6 Resignation of Yehia Pasha Cabinet in Egypt.
- 8 Resignation of M. Doumergue. M. Flandin formed Cabinet;
M. Laval Foreign Minister.

Selected Chronology

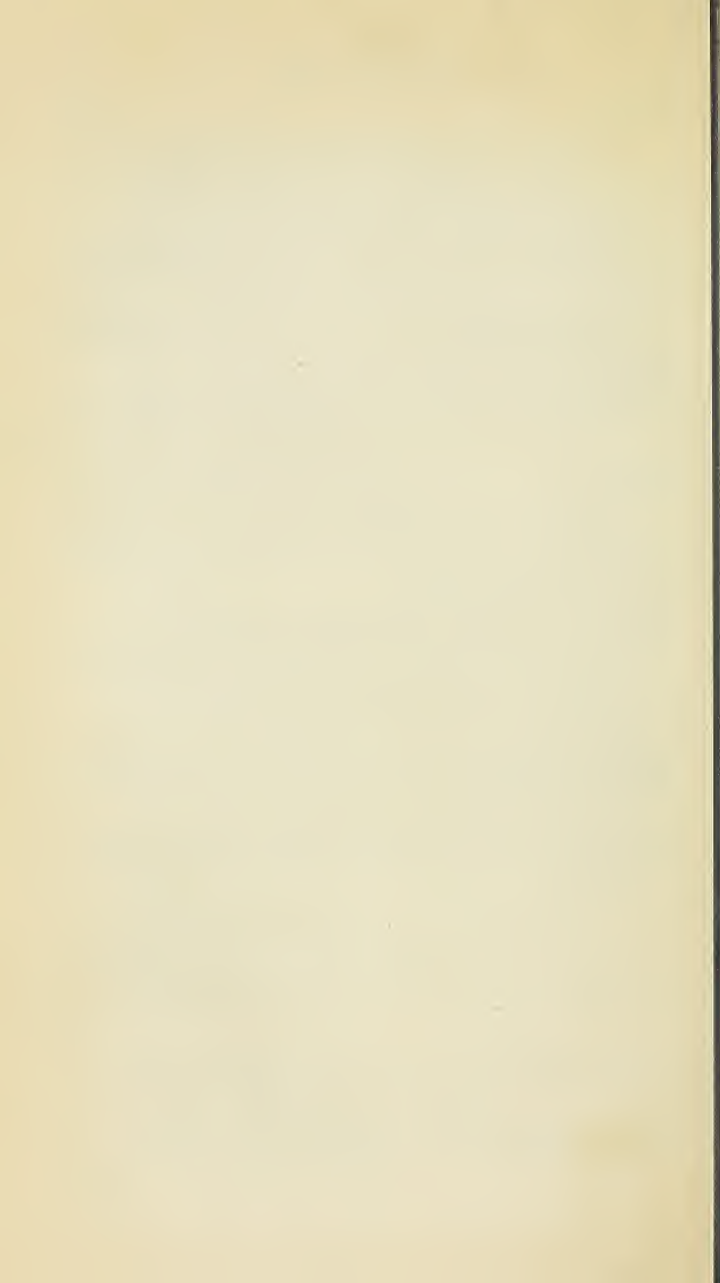
1934.

November.

- 8 "Off-year" Elections in U.S.A. Overwhelming victory for President Roosevelt (Democrats).
- 14 New Cabinet in Egypt; Nessim Pasha Prime Minister. Constitution abrogated.
- 16 Weekly air-mail service, Germany-South America.
- 20 "Disarmament Conference to-day went into liquidation" (*The Times*).
- 21 Report of Joint Select Committee on India issued.
- 22 Yugoslav Memorandum on Marseilles murders presented to League Council.
- 24 Special Assembly of League to discuss Chaco War.
- 29 Marriage of the Duke of Kent and Princess Marina of Greece.
- 30 White Paper on Shipping issued, *re* Subsidy, Commission and Government's "scrap and build" scheme.

December.

- 5 New United Party of South Africa inaugurated at Congress of 800 delegates at Bloemfontein.
Sixty-six persons accused of anti-Soviet terrorist designs shot in Moscow and Leningrad.
- 6 Votes for women in Turkey.
- 7-10 Yugoslav-Hungarian dispute settled by League of Nations.
- 8 First regular air-mail service to Australia.
Decision of the League to invite contingents for an International Police Force to keep order in the Saar during the plebiscite.
- 19 Three-Power Naval Conversations in London ended.
- 20 India Bill introduced in House of Commons.
- 21 New Coalition Government in Yugoslavia under M. Jevtitch.
- 22 International Military Police Force assembled in the Saar under British Commander.
- 29 Japan formally denounced the Washington Treaty.
- 30 Twice-weekly air-mail service to South Africa and India started.



APPENDIX I

THE ORGANIZATION OF THE LEAGUE OF NATIONS

1934

The League organization as it exists to-day may be conveniently divided under the following headings:

POLITICAL: The Assembly and Council.

AUXILIARY: The three Technical organizations (*i.e.* Financial and Economic, Transit and Communications, and Health); the various permanent and temporary Committees and Commissions set up from time to time to advise the Assembly or Council, the International Bureau, or Institutes not directly under the control of the League but linked to the League machine as a result of Article 24 of the Covenant.¹

ADMINISTRATIVE: The Secretariat.

AUTONOMOUS: The International Labour Organization.
The Permanent Court of International Justice.

THE ASSEMBLY AND COUNCIL

Article 2 of the Covenant reads: "The action of the League under this Covenant shall be effected through the instrumentality of an Assembly and of a Council, with a permanent Secretariat."

Articles 3 and 4 deal with the constitution and duties of the Assembly and Council, either of which "may deal at its meetings with any matter within the sphere of action of the League or affecting the peace of the world."

The vital difference between the two organs is that whereas the Assembly is composed of representatives of all states-members of the League,² the Council consists of the representatives of fifteen states—five states with permanent seats,³ nine states elected by the Assembly for three years, and one state holding a special non-permanent seat for the period 1933-36.

¹ Article 24, para. 1.—"There shall be placed under the direction of the League all international bureaux already established by general treaties if the parties to such treaties consent. All such international bureaux and all commissions for the regulation of matters of international interest hereafter constituted shall be placed under the direction of the League."

² Fifty-seven in 1934.

³ Great Britain, France, [Germany], Italy and Russia [1935].

The Assembly meets in Ordinary Session once a year at Geneva; each state may send three delegates (in addition most states include three or four substitute delegates, experts, and technical advisers) but the whole delegation casts only one vote. The Agenda of an Ordinary Session of the Assembly includes:

- (1) Annual Report on the work of the Council and Secretariat.
- (2) Report on the measures taken to give effect to the decisions of the last Assembly.
- (3) Budget of the League.
- (4) Items whose inclusion has been decided upon by a previous Assembly.
- (5) Any item proposed by the Council or by a member of the League.

Except where contrary procedure has been laid down in the Covenant or the Peace Treaties, all decisions of the Assembly must be reached by a unanimous vote. All meetings of the Assembly are held in public, unless otherwise decided by the Assembly; the official languages are French and English, and all speeches in either language must be summarized in the other by an official League interpreter.

The routine business of the Assembly is divided among six Committees, on each of which every delegation is represented:

- (1) Legal and Constitutional questions.
- (2) Technical organizations.
- (3) Disarmament.¹
- (4) Financial questions.
- (5) Social and humanitarian questions.
- (6) Political questions.

It is the duty of these Committees to study the Reports presented to the Assembly by the various organs of the League, and any questions proposed by states members which the Assembly may refer to them. The Assembly in Plenary Session then considers the findings of the Committees and either amends, rejects, or adopts their reports.

The Council meets in Ordinary Session every four months; the Presidency of the Council is held by each state in rotation for one Session; its meetings are generally held in public, and as in the case of the Assembly, the decisions of the Council, except on such secondary questions as matters of procedure, must be unanimous.

There are certain special questions with which the Council was entrusted, either under the Covenant or the Treaties of Peace of 1919: *i.e.* Disarmament, Mandates, the Protection of Minorities, the Saar, the Free City of Danzig. The Council was also given certain duties in regard to the independence of Austria and Hungary.

¹ In 1932 and 1933 the Third Committee was not set up as it was felt that no useful purpose could be served by discussion of Disarmament questions by that body while they were still being dealt with by the Conference for the Reduction and Limitation of Armaments.

Appendices

The members of the League have also agreed ¹ that "if there should arise between them any dispute likely to lead to a rupture they will submit the matter either to arbitration or judicial settlement or to inquiry by the Council" and under Article 11 of the Covenant "any circumstances whatever affecting international relations which threatens to disturb international peace or the good understanding between nations upon which peace depends" may be brought before the Assembly or Council. During the past twelve years, therefore, the Council has been confronted with a number of disputes.

From the above summary it should be clear that between them the Assembly and Council are responsible for the direction and supervision of the policies (with the exception of all those initiated by the two autonomous bodies described below) which are carried out through the League of Nations, and since the scope of these policies may be said to cover practically the whole range of human activity, a large number of specialized organizations have of necessity grown up within the League machine:

THE AUXILIARY ORGANS

1. *The Technical Organs.*—These are three in number and were created by the First Assembly in order to facilitate "the task of the Assembly and the Council by the setting up of technical sections on the one hand, and on the other to assist members of the League by establishing direct contact between their technical representatives in the various spheres, to fulfil their international duties." ²

(a) The Economic and Financial Organization was composed in 1934 of:

- (i) The Economic Committee consisting of fifteen members—experts in economic matters—appointed by the Council for three years and meeting three or four times a year.
- (ii) The Consultative Economic Committee consisting of fifty-six members and meeting annually.
- (iii) The Committee of Experts on Economic Statistics with twelve members and meeting at irregular intervals.
- (iv) The Financial Committee meeting about four times a year and with the duty of advising the Council on financial questions generally, and advising and assisting particular states.
- (v) The Fiscal Committee having fourteen members and a number of corresponding members, and meeting annually.

The above Committees set up Sub-Committees to deal with particular questions as occasion arises, and the Council on the recommendation of the Committees from time to time sees fit to summon International Conferences to study different aspects of economic and financial problems.

¹ The Covenant, Article 12.

² Resolution of the First Assembly, December 8th, 1920.

In connection with the Economic and Financial Organization a very important section of the League Secretariat has grown up; it appears to be developing into a kind of Economic Intelligence Bureau which besides providing the documentation for the Economic Committee, serves also the League organization as a whole and its states-members, publishing valuable studies of national economic and financial statistics and making expert technical investigations as to the economic and financial conditions of states applying to the League for assistance.

(b) The Organization for Communications and Transit has a written and semi-autonomous constitution and, as its name implies, "it is entrusted with the task of facilitating international co-operation in the matters of communications and transit by the application of Article 23 (e) of the Covenant."¹ The organization is composed of:

- (i) Ordinary General Conferences, convened by the Council every four years; Extraordinary General Conferences convened at any time either by the Council or on the demand of at least half the members of the League; Limited Conferences convened by the Council on the recommendation of the Advisory and Technical Committee, to examine questions of special interest to particular states.
- (ii) The Advisory and Technical Committee consisting of eighteen members appointed by a method designed to secure as far as possible geographical representation, and the best representation of technical experience throughout the world.

The Advisory and Technical Committee has set up a number of permanent and temporary Sub-Committees to study specific questions.

(c) *The Health Organization.*—Article 23 (f) of the Covenant imposes on members of the League the duty of taking "steps in matters of international concern for the prevention and control of disease" and the Health Organization consists to-day of:

- (i) The General Advisory Health Council, which is in fact the Permanent Committee of the "Office International d'Hygiene Publique" of Paris and which meets bi-annually.
- (ii) The Standing Health Committee, composed of twenty-six members holding office for a period of three years and meeting at least twice a year.
- (iii) The Epidemiological Intelligence Service, made possible by the co-operation of the Rockefeller Foundation, and which, as a result of its Bureau at Singapore, does invaluable work in collecting and disseminating information in regard to epidemics of pestilential diseases.

¹ "The Members of the League . . . will make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League. . . ."

Appendices

2. *Advisory Committees and Commissions.*—These may be either Permanent or Temporary. The Permanent Advisory Commissions in 1934 were :

(a) The Permanent Advisory Commission for Military, Naval, and Air Questions created by Article 9 of the Covenant for the purpose of advising the Council on the execution of the disarmament clauses of the Covenant¹ and on military, naval, and air questions generally, and composed of one military, one naval, and one air representative from each state-member of the Council.

(b) The Permanent Mandates Commission provided for in Article 22 of the Covenant, consisting of eleven members appointed by the Council in their individual capacity.

(c) The Advisory Committee on Opium and other Dangerous Drugs set up by Assembly Resolution to give effect to Article 23 (c)² of the Covenant consisting of twenty members representing their Governments and meeting annually.

(d) The Permanent Central Opium Board set up by the Geneva Opium Convention of 1925.

(e) The Advisory Commission for the Protection and Welfare of Children and Young People established to give effect to Article 23 (c) of the Covenant² and working in two parts: The Traffic in Women and Children Committee and the Child Welfare Committee.

The Temporary Commissions and Committees are set up by the Council—usually at the request of the Assembly—to study specific questions. In 1934 there existed :

(a) The Inter-Governmental Advisory Commission for Refugees (established 1928).

(b) The Commission of Inquiry for European Union (1930).

(c) The Committee on Amendments to the Covenant in order to bring it into harmony with the Pact of Paris (1931).

(d) The Advisory Committee on the Dispute between China and Japan (1933).

(e) The Advisory Committee on the Dispute between Colombia and Peru (1933).

3. *The International Bureaux and Institutes* can also be classified under two headings :

(a) Those established either before or since the creation of the League and placed under its direction in accordance with the provisions of Article 24 of the Covenant :

The International Central Office for the control of the Liquor Traffic in Africa (Brussels).

¹ Articles 1-8.

² The members of the League agree to "entrust the League with the general supervision over the execution of agreements with regard to the traffic in women and children, and the traffic in opium and other dangerous drugs."

Our Own Times

The International Bureau for Information and Inquiries regarding Relief to Foreigners (Paris).

The International Hydrographic Bureau (Monaco).

The International Commission for Air Navigation (Paris).

The Nansen International Office for Refugees (Geneva).

The International Exhibitions Bureau (Paris).

The International Relief Union (Geneva).

(b) International Institutes which have been established by Governments and placed at the disposal of the League; those at present in existence are :

The International Institute of Intellectual Co-operation (Paris).

The International Educational Cinematographic Institute (Rome).

The International Institute for the Unification of Private Law (Rome).

The International Centre for the Study of Leprosy (Rio de Janeiro).

The most important of these Institutes, and the only one to which reference can be made in this short summary, is the International Institute of Intellectual Co-operation which forms part of the Intellectual Co-operation Organization of the League and is linked to it through the International Committee on Intellectual Co-operation. Its principal objects are "to prepare the work to be discussed by the Committee on Intellectual Co-operation, to ensure in all countries the carrying out of the decisions and recommendations of that Committee and, under the direction of that Committee and of its Executive Committee, to promote, through international co-operation, the organization of intellectual work throughout the world, and, generally, to develop international co-operation in literature, art, and science."

THE ADMINISTRATIVE ORGAN

Nothing like the Permanent Secretariat of the League has ever existed before. This so-called International Civil Service came into being as a result of Article 6 of the Covenant, and consisted in 1934 of some 700 members drawn from practically every nation, and under the direction of a French Secretary-General; all posts on the Secretariat, as in fact are any positions in connection with the League, are equally open to men and women.¹ Its duties, in brief, are to act as the executive organ of the League of Nations responsible for preparing the work of the Assembly and the Council, and of the various Committees, and for subsequently carrying their decisions into effect. Its work is divided among various sections each, as its name implies, acting as the Secretariat of one or other of the Technical Organizations or Commissions already referred to.

The Secretariat was originally created on the principle that its members "once appointed, are no longer the servants of the country of which

¹ Covenant, Article 7.

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they are citizens, but become, for the time being, servants of the League of Nations. Their duties are not national but international,"¹ and as recently as October 1933 the Assembly affirmed that the officials of the Secretariat should "be chosen for their abilities, their personal qualifications, and the contributions they can make to the performance of the tasks of the League of Nations."

THE AUTONOMOUS BODIES

The International Labour Organization.

Under Article 23(a) of the Covenant the members of the League agree that they "will endeavour to secure and maintain fair and humane conditions of labour for men, women, and children, both in their own countries and in all countries to which their commercial and industrial relations extend, and for that purpose will establish and maintain the necessary international organizations."

The creation of this "necessary international organization" was effected by Articles 387-426 of the Treaty of Versailles, which also provided that all the original and future members of the League should also belong to the International Labour Organization which is, however, subject to no sort of control by the League itself except in the matter of finance.

There is a certain resemblance between the main bodies of the International Labour Organization and those of the League proper. The International Labour Conference, for example, may be compared to the League Assembly, the Governing Body to the Council, the International Labour Office to the Secretariat, and the various expert Committees and Commissions to the Technical Organizations and Advisory Committees of the League. But the analogy should not be pressed too far, and whereas representation on League bodies (and this applies especially to the Council and Assembly) is determined by racial and geographical considerations, the International Labour Conference and Governing Body tend rather to divide into groups of interests. It is quite a common occurrence, for instance, to find the employers' delegates from all countries working in close contact, the workers' group working and voting together, with the Government representatives holding the balance.

The General Conference meets at least once a year and each state-member of the International Labour Organization is entitled to send four delegates—two Government representatives, one representing employers and one workers. The main function of the Conference is to establish international Conventions or Recommendations in regard to labour conditions, examine reports submitted by Governments on the measures taken to give effect to Conventions; elect the Governing Body, and in general to give continuity to the work of the Organization.

¹ Report adopted by Council, May 19th, 1920.

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The Governing Body meets every three months and consists of twenty-four members: Twelve persons representing Governments; six persons elected by the delegates to the Conference representing the employers; six persons elected by the delegates to the Conference representing the workers. Of the twelve persons representing the Governments, eight shall be nominated by the members which are of the chief industrial importance, and four shall be nominated by the members selected for the purpose by the Government delegates to the Conference, excluding the delegates of the eight members mentioned above.

The Governing Body controls the International Labour Office and appoints its Director; arranges the Agenda of the General Conference, and follows the action taken by Governments to give effect to the various Conventions and Recommendations adopted by the Conference.

The Auxiliary Organs.—Like the League, the International Labour Organization has a number of expert committees set up to study specific questions; these are divided into three groups:

- (1) Committees consisting exclusively of members of the Governing Body.
- (2) Committees consisting of representatives of the Governing Body and representatives of other Institutions or Experts.
- (3) Committees consisting exclusively of Experts.

The International Labour Office corresponds to the Secretariat of the League and has to-day sixty-two members under an English Director, and in general the obligations of the staff are the same as those governing the Secretariat.

The Permanent Court of International Justice.

The Court derives its power from the Covenant and a Statute approved by a resolution of the Assembly of the League. It sits at The Hague, and its budget is part of the consolidated budget of the League. It is composed of fifteen judges and four deputy judges elected by the Assembly and Council regardless of their nationality from among persons of high moral character, who possess the qualifications required in their respective countries for appointment to the highest judicial offices, or are jurisconsults of recognized competence in international law.

The Court is both an advisory and a judicial body. In an advisory capacity its services are at the disposal of the Council and Assembly of the League; in a judicial capacity the Court is available to states-members of the League, and those non-members mentioned in the Annex to the Covenant.

The Finances of the League.

The budget of the League for 1934 (including the International Labour Office and the Permanent Court of International Justice) was 30,827,805 gold francs, and of this total Great Britain pays about one-tenth.

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The revenues of the League are derived from :

(a) Standard contributions from states-members, fixed in proportions approved by the Assembly on the recommendations of its Allocation Committee.

(b) Special contributions from particular member or non-member states.

(c) Special contributions from Governments, private bodies, and individuals.

APPENDIX II

SUBSIDY OF SHIPPING

Just as wheat is a key *commodity* of International Trade, shipping is the key service. In fact it can be argued that shipping is by far the most international of all industries. For our present purposes the experiences of shipping during and after the War provide an admirable illustration of the manner in which, for political reasons, the state interferes with economic life with supreme indifference to the fact that the manipulations of its left hand are being rendered futile by the interference of its right.¹ As we shall see, governmental subsidies to shipping increased throughout the post-War period, reaching an orgy of lavishness in 1933-34 when government interference in other directions had produced its maximum effect on the diminution of that world trade of which shipping was the helpless servant.

In 1933 the marine merchant tonnage of the world (100 tons and over) was 38 per cent. greater than it had been in 1913, although the volume of world trade was 7 per cent. less in 1933 than in 1913. Moreover, by 1933 technical improvements, including a 10 per cent. increase in average speed, had improved the "carrying performance" of each ton of shipping.

On July 1st, 1933, 11½ million out of 68 million tons of shipping was idle. The U.S.A. and Great Britain each owned 3½ million tons of laid-up shipping. In order to understand the genesis of these conditions it is necessary to remark that although 12½ million tons of shipping had been sunk during the War, the tremendous efforts made by the Allies to replace tonnage and the high level of freights during the post-War boom of 1921 had caused this lost tonnage to be replaced with 8 million tons to spare. In the normal course of events this surplus tonnage would gradually have been liquidated by the pressure of competition, or absorbed by the growth of trade; but as this did not occur sufficiently rapidly, national states determined to preserve, for reasons of prestige and national defence, shipping which was economically redundant.

The methods adopted to support an uneconomic shipping industry have been many and various. Sometimes the Government has operated

¹ In this connection it is interesting to note that the President of the Chamber of Shipping, speaking in February 1935, estimated that the sugar subsidy had caused a loss in freight of between £350,000 and £400,000; the curtailment of wheat imports a similar loss of £375,000; and the bacon subsidy a loss of about £200,000.

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shipping lines, or participated in their operation. Other methods have been direct subsidies for specific services, such as the subsidy paid from 1932 by the Union of South Africa to an Italian line; reservation of coastal trade to national ships; bounties in aid of shipbuilding; government guaranteed credits at reduced rates of interest and various reliefs of taxation. It will be of interest to note the methods by which some of the principal Powers applied these varied devices in practice. The ocean-going shipping of the U.S.A. at the outbreak of War was still in the decline into which it had sunk in 1850 when the clipper was replaced by the iron ship, and Americans were concentrating their economic activity upon the westward progress of the "prairie schooner." In 1916 Congress passed the Shipping Act which created a Shipping Board entitled to purchase, construct or hire vessels for war transport purposes. The Emergency Fleet Corporation which was set up under the Board with a capital of \$50 million built or acquired 14 million tons between 1917 and 1922. On June 5th, 1920, Congress approved the Merchant Marine Act whose preamble declared that it was necessary "for the national defence and for the proper growth of its foreign and domestic commerce that the U.S.A. shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater part of its commerce," and that it should "ultimately be owned and operated by the citizens of the United States."

Since 1920 the Shipping Board has been disposing of its ships to private persons at enormous loss. For example the ships sold to companies holding mail contracts cost the Government \$519 million and were sold for \$40 million.¹ Whilst selling so much of its fleet as it could the Shipping Board continued to operate the remainder of its tonnage. By degrees a government-operated fleet of 359 ships, working on 78 trade routes in June 1922, was reduced in June 1933 to one of 38 vessels on 5 routes. The operating losses during this period—exclusive of expenses of maintaining laid-up ships—were about \$247 million. Another method by which the U.S.A. has subsidized its shipping was exemplified in the Jones-White Law of 1898 which established a very liberal mail subsidy² and a ship-construction loan fund. The coastal traffic is reserved to the American flag. Although the U.S.A. has been pre-eminent in the business of artificially stimulating a merchant marine, other countries have pursued active policies, notably Japan, France and Italy.

In the case of Japan cheap credit has been furnished to shipbuilders and the steel industry has received subsidies. In September 1932 a sum of approximately £1 million was set aside as a subsidy to firms agreeing to build one ton of new shipping for every two tons scrapped.

¹ See *Foreign Policy Report*, Vol. X, No. 1, March 14th, 1934, a very capable review of the shipping subsidy position to which I am indebted for the figures in this section.

² In 1932 the mail subsidy equalled 19 per cent. of the gross revenue of the mail companies.

France subsidized some of her steamship lines to the extent of about £8-£10 million between 1922 and 1931, and during the last two years the state has acquired control of the Compagnie Générale Transatlantique and an annual subsidy of about £1 million is contemplated.

Italy has spent about £2 million a year in subsidies since 1929. The effect of the above-mentioned activities has been to perpetuate the existence of superfluous tonnage in the shipping world and to cause the free shipping countries (Great Britain, Holland, Norway and Sweden) to give serious consideration to the question of departing from their traditional policy in order to save their mercantile fleets from extinction.

British shipowners suffered severely both from the curtailment of world trade and from the further depression of freights which were already uneconomic by the competition of subsidized foreign ships. In November 1932 a committee of experts of the International Chamber of Commerce suggested to the shipowners that action should be taken on international lines to adjust the supply of tonnage to the demand. The matter figured on the agenda of the World Economic Conference, and the expert committee on that occasion pointed out that "it is impossible to return to sound conditions in the shipping industry so long as the uneconomic policy of government subsidies continues." In spite of the efforts of the British and other "free shipping" countries, no agreement was reached at the Conference.

After the failure of this attempt to relieve the shipping industry by international action the British Government turned its attention to other methods. As a first step it was decided in February 1934 to advance £3 million in order to complete the new giant Cunarder No. 534, work on which had been discontinued for lack of funds. The ship was launched in September of the same year by H.M. the Queen.¹ The Government also fathered and financed a merger between the White Star and Cunard lines, as one of the conditions of the supply of public credit for the new vessel.

Early in 1934 the Chamber of Shipping issued an appeal for State assistance to the industry, declaring that whereas during the period 1913-33 British tramp tonnage had declined by 50 per cent., foreign tramp shipping had increased 33 per cent., and that "the time has arrived when, as a temporary measure, subsidy may have to be met by subsidy." In response to this appeal the Government decided in July to offer State assistance in two forms. In the first place it proposed to authorize the Treasury to advance or guarantee loans up to £10 million for the purpose of modernizing old cargo vessels or building new ones (the "scrap and build" scheme), a proposal which was very coolly received by the shipowners as distinct from the shipbuilders. Secondly, it was proposed that a subsidy of £2 million should be granted to the tramp section of the industry for one year, provided that the

¹ The ship was named *Queen Mary*.

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shipowners produced a reorganization scheme which would prevent the subsidy from being used to promote wasteful competition between British ships and would ensure greater employment of British tramp shipping at the expense of foreign subsidized shipping. It was arranged that the subsidy should work on a sliding scale, decreasing if freights rose, and increasing to the maximum if freights dropped. The industry having satisfied the Government on these points, the Act authorizing the grant of the subsidy was passed early in 1935.

In response to an appeal by the Board of Trade to make further efforts to secure rationalization of the industry by international action, British shipowners at the beginning of 1935 arranged a preliminary international conference in London. This conference confined itself to the preparation of a draft scheme for adjusting the supply of world tonnage to the demand, and suggested that the problem of surplus tonnage might be dealt with on the same lines as had been adopted in the case of the "Tanker Pool" in May 1934, that is to say by compensating the owners of compulsorily laid-up shipping out of a charge on freight rates. Negotiations on these lines were still in a very early stage at the end of *Our Own Times*, and there seemed little prospect of any immediate action to solve this essentially international problem on international lines.

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This selected Bibliography is divided into two main sections, each of which is further subdivided. Section "A" contains books whose subject-matter is relevant in general to the whole or to a large part of the material in *Our Own Times*. Section "B" is reserved for books dealing with particular aspects of the whole story of *Our Own Times*. Both the selection of the Bibliography and the above-mentioned division of the books selected was necessarily a somewhat arbitrary proceeding.

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